

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) 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

PRIME MEDIA HOLDINGS, INC.

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

Manila, Philippines

4. SEC Identification Number

22401

5. BIR Tax Identification Code

000491007

6. Address of principal office

16TH FLOOR CITIBANK TOWER, 8741 PASEO DE ROXAS MAKATI CITY

Postal Code

1227

7. Registrant's telephone number, including area code

8314479

8. Date, time and place of the meeting of security holders

03 DECEMBER 2018, METROPOLITAN CLUB INC. ESTRELLA COR. AMAPOLA STS.  
GUADALUPE VIEJO, MAKATI CITY

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Nov 9, 2018

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

Common	700,298,616
Preferred	14,366,260

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

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE/ COMMON SHARES

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

## Prime Media Holdings, Inc. PRIM

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Dec 3, 2018
Type (Annual or Special)	ANNUAL
Time	9:30 A.M
Venue	The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City
Record Date	Oct 26, 2018

#### Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

#### Other Relevant Information

NONE

Filed on behalf by:

Name	Joanna Manzano
Designation	Junior Compliance Officer

# COVER SHEET

2 2 4 0 1

S.E.C. Registration Number

P R I M E M E D I A H O L D I N G S , I N C .  
( f o r m e r l y F i r s t e - B a n k C o r p . )

(Company's Full Name)

1 6 t h F l o o r C i t i b a n k T o w e r ,  
8 7 4 1 P a s e o d e R o x a s ,  
M a k a t i C i t y

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

PRELIMINARY INFORMATION  
STATEMENT

FORM TYPE

0 5

Month

Day

Annual  
Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this  
Doc.

Amended Articles  
Number/Section

Total Amount of Borrowings

Total No. of  
Stockholders

nil

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS



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: **PRIME MEDIA HOLDINGS, INC.**

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

4. SEC Identification Number: **Reg. No. 22401**

5. BIR Tax Identification Code: **TIN 000-491-007**

6. Address of principal office:

**16F Citibank Tower, Paseo de Roxas, Makati City**

Postal Code **1226**

7. Registrant's telephone number, including area code, Tel. Nos.: (632) 831-4479

8. Date, time and place of the meeting of security holders

**03 December 2018 (Monday) at 9:30 am at The Metropolitan Club Inc., Estrella corner  
Amapola Sts., Guadalupe Viejo, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders

**9 November 2018 (Friday)**

10. In case of Proxy Solicitations

Name of the Person Filing the Statement/ Solicitor: **NA**

Address and Telephone No.: **NA**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	700,298,616
Preferred Shares	14,366,260

\*1 Reported by the stock transfer agent as of 30 September 2018.

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

Yes ☒ No ☐

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

**Philippine Stock Exchange. Common Shares**

SECURITIES AND EXCHANGE  
COMMISSION

**RECEIVED**  
**OCT 17 2018**

MARKET REGULATION DEPT.  
BY: *[Signature]* TIME: *[Signature]*

PRIME MEDIA HOLDINGS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To All Stockholders:

Please be advised that PRIME MEDIA HOLDINGS, INC. will hold its Annual Shareholders' Meeting on **03 December 2018 (Monday), 9:30 am at The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City**, with the following agenda:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of the previous meeting
4. Approval of Management Report and Audited Financial Statements
5. Ratification of Management's Act
6. Authority to Enter into a Management Agreement with RYM Business Management Corp.
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The Board of Directors has fixed the close of business on the **26 October 2018** as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

All proxies must be submitted to the Corporate Secretary on or before **22 November 2018, 5:00 p.m.** at the following address:

Prime Media Holdings, Inc.  
c/o Marcventures  
4<sup>th</sup> Flr. Citibank Center  
8741 Paseo de Roxas, Makati City  
Attention: Diane Madelyn C. Ching

Very truly yours,

  
Atty. Christopher Sam Salvador  
Asst. Corporate Secretary

# SAMPLE PROXY FORM

The undersigned stockholder of PRIME MEDIA HOLDINGS INC. (the "Company") hereby appoints \_\_\_\_\_ or in his/her/its absence, the Chairman of the meeting, as attorney-in-fact and proxy, to represent and vote all the shares registered in his/her/its name at the annual meeting of the stockholders of the Company scheduled on **03 December 2018, 9:30 am at the The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City,** and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below:

PROPOSAL	ACTION			
	FOR	AGAINST	ABSTAIN	
1. Approval of Minutes of the previous meeting				
2. Approval of Management Report and Audited Financial Statements				
3. Ratification of Management's Acts				
4. Authority to Enter into a Management Agreement with RYM Business Management Corp.				
5. Election of Directors:	FOR ALL	AGAINST ALL	ABSTAIN FOR	FULL DISCRETION OF PROXY
The nominees are:  Manolito A. Manalo Juan Victor S. Valdez Rolando S. Santos Bernadeth A. Lim Diane Madelyn C. Ching  Nominees for independent directors:  Francisco L. Layug III Johnny Y. Aruego, Jr.  <i>Instruction: To withhold authority to vote for any nominee, please mark "Abstain" box and list the name(s) under.</i>				
6. Election of Reyes Tacandong & Co. as external auditor				
7. Other Matters				

Signed this \_\_\_\_ day of \_\_\_\_\_ 2018 at \_\_\_\_\_

PRINTED NAME OF THE STOCKHOLDER

SIGNATURE OF THE  
STOCKHOLDER/AUTHORIZED  
REPRESENTATIVE

This proxy must be acknowledged before a notary public and must be submitted to the Corporate Secretary on or before **22 November 2018, 5:00 p.m.** The stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented for recording with the Corporate Secretary at least five (5) days prior to the meeting or by personal attendance at the stockholders' meeting. For corporations, the proxy must be accompanied by a Secretary's Certificate authorizing an authorized representative to represent the corporation in the meeting.

**SAMPLE SECRETARY'S CERTIFICATE**

I, \_\_\_\_\_, of legal age, with address at \_\_\_\_\_, being the Corporate Secretary of \_\_\_\_\_, do hereby certify that:

1. In the regular/special meeting of the Board of Directors of the Corporation held on \_\_\_\_\_ 201\_ at the \_\_\_\_\_, the following resolution was approved:

"RESOLVED, that the Board of Directors of \_\_\_\_\_ (the "Corporation") hereby authorize, \_\_\_\_\_ and/or \_\_\_\_\_ to represent the Corporation and to vote all of the Corporation's shares registered in the books of the PRIME MEDIA HOLDINGS INC. (PRIM) at any annual stockholders' meeting of PRIM, particularly, the annual stockholders' meeting to be held on \_\_\_\_\_, and any adjournments or postponements thereof.

"RESOLVED, FURTHER, that the Board of Directors of the Corporation authorize \_\_\_\_\_ and/or \_\_\_\_\_ to sign, execute and deliver nominations and proxies in relation to said annual stockholders' meeting of PRIM."

2. This resolution has not been suspended, revoked nor amended.

\_\_\_\_\_ (date of execution), \_\_\_\_\_ (place of execution).

\_\_\_\_\_  
Corporate Secretary

SUBSCRIBED AND SWORN to before me on \_\_\_\_\_ at Makati, Metro Manila, affiant exhibiting to me his/her valid proof of identification \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 2018.

## INFORMATION STATEMENT AND MANAGEMENT REPORT

### INFORMATION STATEMENT

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

However, if you cannot attend and you wish to send a representative/proxy, please send your proxy letter to the Office of the Corporate Secretary on or before 22 November 2018, 5:00 p.m., a sample of which is attached to this report. On the day of the annual stockholders' meeting on 03 December 2018, your representative should bring the proxy letter and present valid proof of identification (e.g. passport, driver's license, company ID or TIN card).

#### **A. GENERAL INFORMATION**

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

The Annual Meeting of the stockholders of **PRIME MEDIA HOLDINGS, INC.** will be held on **03 December 2018, 9:30** The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City.

The mailing address of the Company is at c/o Marcventures, 4<sup>th</sup> Flr. Citibank Center Bldg. Paseo de Roxas, Makati City. Please address the letters to the corporate secretary of the Company, Diane Madelyn C. Ching.

This Information Statement will be first sent or given to security holders on or around the **9 November 2018**.

##### **Item 2. Dissenters' Right of Appraisal**

There is no proposed corporate action or matter to be taken up at the Annual Stockholders' Meeting that will give rise to the exercise of appraisal right by the dissenting stockholders.

The Corporation Code limits the exercise of the appraisal right by any dissenting stockholder to the following instances:

- a. 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 respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
- b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);
- c. In case of merger or consolidation (Section 81);
- d. In case of investments in another corporation, business or purpose (Section 42).

The appraisal right may be exercised by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The



findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the corporation.

The appraisal right shall be exercised in accordance with Title X of the Corporation Code.

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

No director or officer of the Company or any nominee for election as director of the Company or any associate of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office as director of the Company. None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

None of the directors of the Company has informed the Company that he intends to oppose any action to be taken by the Company at the stockholders' meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

As of 30 September 2018, the following shares of common and preferred stock of the Company were outstanding:

<u>Class</u>	<u>Number of Outstanding Shares</u>
Common	700,298,616
Preferred Series A	14,366,260
Series B	Nil

As of 30 September 2018, the foreign equity ownership on a per class basis is as follows:

<u>Class</u>	<u>Number of Outstanding Shares</u>
Common	1,031,360
Preferred	109,650

All registered owners of the Company's common stock at the close of business on **26 October 2018** will be entitled to notice and vote at its Annual Stockholders' Meeting on 03 December 2018.

Each common share is entitled to one (1) vote on all matters to be taken up during the Annual Meeting except in the case of electing directors where one (1) share is entitled to Seven (7) votes, i.e. each share is entitled to as many votes as there are Board seats to be filled up.

Each stockholder is entitled to cumulate his votes and cast the same in favor of one or several nominees of his choice in such proportion as he shall deem fit, provided that, the total votes cast do not exceed the number of his shares multiplied by the number of directors to be elected. There is no condition precedent to the exercise by the stockholders of their cumulative voting right.

### **Security Ownership of Persons Owning More Than 5% of the Company's Outstanding Common Stock**

As of 30 September 2018, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than five percent (5%) of the Company's capital stock except as set forth below:

Type of Class	Name and address of record owner and relationship with Issuer	Name and address of beneficial owner and relationship with Issuer	Citizenship	Name of Beneficial Owner & Relationship with Record Owner	No. of Shares Held	Percent of class
Common	PCD Nominee Corporation (Registered Owner in the Books of the Transfer Agent)	RYM Business Management Corp./ 106 Paseo de Roxas Ave. Makati City Stockholder	Filipino	RYM beneficial owner of the shares.	463,555,085	66.20%
		Mairete Asset Holdings, Inc. 16 <sup>th</sup> Floor Citibank Tower, Paseo de Roxas, Makati Stockholder	Filipino	Mairete Asset Holdings, Inc. is beneficial owner of the shares.	77,178,901	11%
		Caulfield Heights, Inc. 6 Ozamis St. Alabang Hills, Muntinlupa City Stockholder	Filipino	Caulfield Heights, Inc. is the beneficial owner of the shares.	35,000,000	5%

RYM Business Management Corp. and Mairete Asset Holdings Inc. has authorized and/or appointed by way of proxy, the Chairman of the Board of Prime Media Holdings Inc. to represent and vote the its shares in the Annual Stockholders' Meeting. Caulfield Heights Inc. has authorized and/or appointed by way of proxy, Isidro C. Alcantara, Jr. or its duly authorized representative to attend and vote on its behalf.

**Security Ownership of Management as of 30 September 2018**

Type of Class	Name and Address of Owner	Amount and nature of Beneficial ownership	Citizenship	Percent of class
Common	Manolito Manalo	1 Direct	Filipino	0.0%
Common	Rolando S. Santos	1000 Direct	Filipino	0.0%
Common	Bernadeth A. Lim	1 Direct	Filipino	0.0%
Common	Diane Madelyn Ching	1000 Direct	Filipino	0.0%
Common	Juan Victor S. Valdez	1 Direct	Filipino	0.0%
Common	Johnny Y. Aruego Jr.	1 Direct	Filipino	0.0%
Common	Francisco L. Layug III	1 Direct	Filipino	0.0%
	Aggregate for above named officers and directors	2,005		

### Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding five percent (5%) or more of the Company's shares of common stock under a voting trust or similar agreement.

### Changes in Control

There was no changes in control of the management of the Corporation.

The Company in its disclosure dated December 18, 2015, informed that RYM Business Management Corporation has informed Prime Media Holdings Inc. (the Corporation) that it has acquired 93,685,410 and 218,099,360 common shares owned by Neo Oracle Holdings, Inc. and Metro Tagaytay Land Company Inc., respectively, in the Corporation or a total of Three Hundred Eleven Million Seven Hundred Eighty Four Thousand Seven Hundred Seventy (311,784,770) common shares equivalent to 44.6% during the foreclosure sales evidenced by the Certificates of Sale dated 18 December 2015 and 18 December 2015, being the creditor and highest bidder for the aforementioned shares at the bid price of PhP 74,544,642.00 and PhP 57,051,743.40, respectively, or a total price of PhP131,596,385.47.

Subsequently, on June 1, 2016, supplement to the disclosure dated 21 December 2015, the Company disclosed that the 93,685,410 shares of Neo Oracle Holdings Inc. and 218,099,360 shares of Metro Tagaytay Land Company Inc. in Prime Media Holdings Inc. were transferred to RYM Business Management Corp. (RYM) through a special block sale on 31 May 2016 at the price of PhP 0.7957 and PhP 0.2616 per share, respectively, to implement the foreclosure sales made in December 2015.

As a result, RYM became the owner of 610,733,986 shares or 87.38% of the Company.

The aforementioned transaction is exempt from the Tender Offer rule as provided in Section 19.3.1.3 of the Securities Regulation Code.

On June 15, 2016, RYM disclosed thru SEC Form 23-B that it has sold a total of 147,178,901 shares; thus, leaving the Company with 463,555,085 shares or 66.20%.

### Item 5. Directors and Executive Officers

#### Directors

The following are the names, ages, citizenship, periods of service of the incumbent directors of the Company as of September 30, 2018:

Name	Age	Citizenship	Period during which individual has served as such
Manolito A. Manalo	49	Filipino	May 2013 to the present
Juan Victor S. Valdez	45	Filipino	May 2013 to the present
Bernadeth A. Lim	38	Filipino	May 2013 to the present
Diane Madelyn C. Ching	36	Filipino	October 2013 up to the present
Rolando S. Santos	66	Filipino	August 2017 to the present
Johnny Y. Aruego (Independent Director)	48	Filipino	May 2013 to the present
Francisco L. Layug III (independent director)	—	Filipino	December 2017 to the present

The business experience of each of the incumbent directors of the Company for the last five (5) years is as follows:

**Manolito A. Manalo** was elected as President and Director in May 2013. He is the co-founder and managing partner of Ocampo and Manalo Law Firm. He is a Director of Panalpina World Transport



(Phils.), Inc.. He also sits as Director and Corporate Secretary in Kajima Philippines Inc. He began his law practice as an associate in Leovillo C. Agustin Law Offices from 1995 to 1996 and Britanico Consunji and Sarmiento from 1996 to 1997. He later headed the Legal Division of Air Philippines from 1997 to 1999. He is also the resident agent of Air Seoul and Chailease Finance Co. Ltd from 2017 to present, and of Turkish Airlines from 2014 to 2017.

**Bernadeth A. Lim** was elected as Vice President and Director in May 2013. She is a junior partner of Ocampo and Manalo Law Firm. She is the President and a director of Morrison Express Philippines Corp from January 2017 to present. She is also a director and corporate secretary of Solen Innovations Holdings Inc. from November 2016 to Present. She is a director Imoney Comparison Philippines, Inc. from June 2015 to present. She is also a director and the corporate secretary of Bounce Electronic Music Production and DJ School from October 2014 to Present and Tone Def Music Group, Inc. from June 2014 to present. She is a director and the resident agent of Proline AG Services, Inc. She is the resident agent of New Northeast Electric Group High Voltage Switchgear Co., Ltd from November 2017 to May 2018 and of V Air Corporation from October 2016 to November 2016. She is a Director and Assistant Corporate Secretary of Kajima Philippines Incorporated, Ripple Mobile Technology Solutions Inc., and Anawhan Realty Inc. She also sits as a Director in Ayannah Information Solutions Inc. and Home Catalogue Shopping, Inc.

**Juan Victor S. Valdez** was elected as Director in May 2013. He is a junior partner of Ocampo and Manalo Law Firm. He is a director, Vice-President for Legal Affairs and Corporate Secretary of PATTS College of Aeronautics, one of the country's leading aeronautic schools. He also sits as director in Segundo Travel & Tours Inc., Hafti Tours Inc., and Kajima Philippines Incorporated.

**Diane Madelyn C. Ching** was elected as Director in October 2013. She concurrently serves as Corporate Secretary of the Company. She likewise serves as Corporate Secretary of Bright Kindle Resources & Investments Inc. (formerly Bankard Inc.), Marcventures Mining and Development Corp., and Asian Appraisal Co. Inc. She is likewise the General Counsel and Assistant Corporate Secretary of Marcventures Holdings Inc. Atty. Ching was previously an associate of Ocampo & Manalo Law Firm from March 2010 to June 2013.

**Rolando S. Santos** was elected as Director in August 2017. He was elected as Assistant Treasurer in October 2013. He serves as Vice President and Treasurer of Bright Kindle Resources & Investments Inc. and as Treasurer of Marcventures Holdings Inc. and Marcventures Mining and Development Corp. He was previously the Branch Head/ Cluster Head for Makati Branches of Equitable PCI Bank which was eventually acquired by BDO from 2001 to 2013.

**Francisco L. Layug III** is the President of Rotary Club of Pasay. He was the President of Electronic Security System Corp. (ESSCOR) from 1992-2015. He is currently a Consultant of ESSCOR.

**Johnny Y. Aruego, Jr.** was elected as an Independent Director in May 2013. He is a partner in Aruego Bite and Associates. He is a director of Excel Unified Land Resources Corporation. He is the Corporate Secretary and Legal Counsel for Agility, Inc. and A. V. Ocampo-ATR Kimeng Insurance Broker, Inc. He is a Legal Consultant of Lorzana Food Corporation, National Steel Corporation and Margarita Land and Management Co., Inc. He is the assistant rehabilitation receiver for Pacific Activated Carbon, Inc., Pet Plans, Inc., Bacnotan Steel Industries, Inc. and All Asia Capital and Trust Corporation. He is an assistant liquidator of East Asia Capital Corporation, Reynolds Philippines Corporation.

## Officers

As of September 30, 2018, the following are the names, ages, positions, citizenship and periods of service of the incumbent officers of the Company:

Name	Age	Position	Citizenship	Period during which individual has served as such
Manolito A. Manalo	49	President & CEO	Filipino	May 2013 up to present
Bernadeth A. Lim	38	Vice President	Filipino	May 2013 to present
Diane Madelyn C. Ching	35	Corporate Secretary,	Filipino	August 2017 up to the

		Compliance Officer and Data Privacy Officer*		present
Rolando S. Santos	67	Treasurer	Filipino	October 2013 up to present
Christopher Sam S. Salvador	35	Asst. Corporate Secretary/ Corporate Information Officer	Filipino	May 2014 up to present

\*appointed on 28 August 2018

**Christopher Sam S. Salvador** was initially appointed as Corporate Information Officer in 2014 and on August 22, 2017, he was elected Assistant Corporate Secretary of the Company. He is an associate of Ocampo and Manalo Law Firm. He is the Corporate Secretary of Timebound Trading, Inc. and Assistant Corporate Secretary for AirSWIFT Transport, Inc. (formerly Island Transvoyager, Inc.) and Bacuit Airholdings, Inc.

#### **Nomination Committee and Nominees for Election as Members of the Board of Directors**

The Nominations Committee has screened the following nominees for election or re-election on 03 December 2018. The Nominations Committee determined that the candidates possess all the qualifications and none the disqualifications as director or independent director.

##### **Nominees for Regular Directors**

Manolito A. Manalo  
 Juan Victor S. Valdez  
 Bernadeth A. Lim  
 Diane Madelyn C. Ching  
 Rolando S. Santos

##### **Nominees for Independent Director**

Johnny Y. Aruego  
 Francisco L. Layug III

Please refer to the above biographical details of current directors that have been renominated.

All nominations for regular and independent director have been reviewed and approved by the Company's Nomination and Compensation Committee.

The independent directors were both nominated by Manolito A. Manalo. The nominator is not related to the persons he has nominated for independent directors.

The procedure and selection of the independent directors were made in accordance with Section 38 of the Code and the Company's By-laws. In compliance with the provisions of Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, the Company's By-laws was amended on 30 September 2004.

The qualifications of all nominated directors including the nominated independent directors have been pre-screened in accordance with the rules of the Company. Only the nominees whose names appear on the Final List of Candidates are eligible for election as directors (independent or otherwise). No other nominations were entertained after the preparation of the Final List of Candidates and no further nominations shall be entertained or allowed during the annual stockholders' meeting.

The Company undertakes to submit the updated Certifications of Qualification for the Independent Directors within 30 days from their election in compliance with SEC Memorandum Circular No.5 Series of 2017.

The nomination and election of independent director shall be in accordance with Section 38, as amended of Republic Act 8799 or the Securities Regulation Code and article II, Section 3 of the Company's By-Laws as amended by the Board of Directors on September 29, 2004 and the Stockholders on September 30, 2004.

The Nomination Committee is composed of Francisco L. Layug III as Chairman, and Juan Victor S. Valdez and Diane Madelyn C. Ching as members.

In accordance with SEC Memorandum Circular No. 4 Series of 2017, both Independent Directors (ID) have not exceeded the maximum cumulative term of nine (9) years. Furthermore, the Company understands that after a term of (9) years, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director. At the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and Reckoning of the cumulative nine-year is from 2012.

#### **Period in Which Directors and Executive Officers Should Serve**

The directors and executive officers should serve for a period of one (1) year.

#### **Term of Office of a Director**

The seven (7) directors shall be stockholders and shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors.

Any vacancy in the board of directors other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

#### **Significant Employees**

The business of the Company is not highly dependent on the services of certain key personnel. There is no employee who, while not being an executive officer, is expected by the Company to make a significant contribution to the business.

#### **Family Relationships**

There are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers and nominees for election as directors.

#### **Involvement in Certain Legal Proceedings**

The Company is not aware that any one of the incumbent directors and officers and persons nominated to become director/s and officer/s has been the subject of a bankruptcy petition or a conviction by final judgment in criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five (5) years until the date of this Information Sheet.

#### **Certain Relationships and Related Transactions**

Due from RYM decreased significantly by P27.58 million or equivalent to 68.95% pertains to the collection on advances made to RYM.

RYM advanced to the Company the amount of PhP 2.0 million to the Corporation for in order to allow the Company to pay the compromise settlement with BSP. the payment of BSP Compromise fee which resulted in increase to Due to Related party accounts.

#### **Resignation/Disagreement**

There was no resignation by any director or officer for year 2018.

Monica Isabelle I. Villanueva resigned as Corporate Secretary on 22 August 2017. Her resignation is not due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**Item 6. Compensation of Directors and Executive Officers**

The aggregate compensation paid in 2015, 2016 and 2017 estimated to be paid in 2018, (1) to the Chief Executive Officer and four (4) most highly compensated officers of the Company, as a group; and (2) to all key officers, other officers, and directors as a group, is set out below:

<i>Names</i>	<i>Position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Others</i>
<i>Manolito A. Manalo</i>	<i>Chairman &amp; President</i>				
<i>Bernadeth A. Lim</i>	<i>Vice President</i>				
<i>Juan Victor Valdez</i>					
<i>Rolando S. Santos</i>	<i>Treasurer</i>				
<i>Diane Madelyn C. Ching</i>	<i>Corporate Secretary</i>				
<i>Aggregate for above named</i>		<i>2015</i>	<i>0</i>	<i>0</i>	<i>22,222</i>
		<i>2016</i>	<i>0</i>	<i>0</i>	<i>25,000</i>
		<i>2017</i>	<i>0</i>	<i>0</i>	<i>30,000</i>
<i>All Directors and Officers as a group unnamed</i>		<i>2015</i>	<i>0</i>	<i>0</i>	<i>22,778</i>
		<i>2016</i>	<i>0</i>	<i>0</i>	<i>30,000</i>
		<i>2017</i>	<i>0</i>	<i>0</i>	<i>25,000</i>
		<i>2018(est)</i>			<i>70,000</i>

Except for nominal per diem amounting to P10,000.00 for attending board meetings and PhP 5,000.00 for attending committee meetings, there are no standard arrangements by which Directors are compensated directly or indirectly.

**Item 7. Independent Public Accountants**

- a) Independent Public Accountants, Reyes Tacandong & Co. (RTC) will stand for re-election as the Corporation's external auditors for the year 2018 which shall be subject to shareholders' approval during the Annual Meeting in compliance with SRC Rule 68, Paragraph 3(b)(iv) which provides that the external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed.
- b) RTC was first elected as the Company's Independent Public Accountant in December 2014. Representatives of RTC will be present during the annual meeting and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed. There was no event where RTC and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. Except as stated in the report of independent auditors, the Corporation has no disagreements with its auditors.
- c) For the audit of the Company's Annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amounts to be billed or already billed excluding VAT and out of pocket expenses (OPE) by RTC amounts/amounted to P330,000 and P330,000 for 2017 and 2016 respectively.

The 2017 audit of the Company is in compliance with Rule 68, paragraph (3)(b)(ix) of the Amended Securities Regulation Code Rule 68, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier and that a two-year cooling off period should be observed in the re-engagement of the same signing partner or individual auditor.

At present, RTC account partner handling the Corporation is Belinda B. Fernando and she has been the handling partner since 2014. She is due for rotation in 2019. A two year cooling off period shall be observed in the re-engagement of the same signing partner or individual.

The Company created an Audit Committee composed of the following members: Bernadeth A. Lim, Juan Victor S. Valdez and Johnny Y. Aruego, Jr (Chairman). As provided for in its charter, the objective of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial reporting process, the system of internal control, risk management, governance processes, the audit process and the company's process for monitoring compliance with laws and regulations and its own code of business conduct.

#### **Item 8. COMPENSATION PLANS**

No action is proposed to be taken during the stockholders' meeting with regard to any bonus, profit sharing, pension/retirement plan, granting of any extension of options, warrants or rights to purchase any securities.

#### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

No matter will be taken up involving any issuance or exchange of securities.

#### **Item 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE**

There is nothing to disclose with respect to authorization or issuance of securities.

#### **Item 10. MODIFICATION OR EXCHANGE OF SECURITIES**

Pursuant to the previous approvals of the Board of Directors and Stockholders of the Company sometime in the year 1997 which was duly approved by the Securities and Exchange Commission and duly disclosed to the Exchange, the Company issued 1,289,279 additional shares on May 30, 2016 arising from the conversion of 32,231,970 preferred shares at the conversion rate of 25 preferred shares to 1 common share.

As of September 30, 2018, Change(s) in Number of Issued and Outstanding Shares are as follows:

	Before	After
Common Shares/ PRIM (Foreign)	1,217,859	1,296,290
Common Shares/ PRIM (Local)	699,002,326	699,002,326
<b>Total</b>	<b>700,220,185</b>	<b>700,298,616</b>
Preferred Shares/ PRIM (Foreign)	109,650	109,650
Preferred Shares/ PRIM (Local)	16,217,380	14,256,610
<b>Total</b>	<b>16,327,030</b>	<b>14,366,260</b>

#### **D. OTHER MATTERS**

#### **Item 15. ACTION WITH RESPECT TO REPORTS & OTHER PROPOSED ACTION/S**

The following matters shall be submitted to the vote of stockholders of the Company during the stockholders' meeting.

1. Approval of Minutes of the previous meeting
2. Approval of Management Report and Audited Financial Statements
3. Ratification of Management's Act



4. Authority to Enter into a Management Agreement with RYM Business Management Corporation
5. Election of Directors
6. Appointment of External Auditor

Action is to be taken on the approval of the Minutes of the previous stockholders' meeting. The Summary of the minutes therefor is provided below:

1. The stockholders approved the minutes of the meeting of the last Annual General Meeting of the stockholders held last 25 October 2016.
2. The stockholders approved the Management/President's Report and the Annual Report for the year 2016 including the Corporation's Audited Financial Statement for the year ended 31 December 2016.
3. The stockholders ratified all acts of the Board of Directors and Management for the previous year up to even date.
4. The stockholders approve and ratified the executed of a management agreement between the Corporation and RYM Business Management Corporation.
5. The stockholders elected the following as directors of the Corporation to serve for the period 2017-2018 and until their successors shall have been duly elected as qualified, to wit:
  - a. Manolito A. Manalo
  - b. Juan Victor S. Valdez
  - c. Bernadeth A. Lim
  - d. Rolando S. Santos
  - e. Diane Madelyn C. Ching
  - f. Johnny Y. Aruego, Jr. as independent director
  - g. Francisco Layug as independent director
6. The stockholders approved the appointment of Reyes Tacandong & Co., as the External Auditor of the Corporation for the ensuing year.

***Summary of the Minutes of the Board Meetings for the year 2018 for ratification of management's actions.***

Meetings of the Board of Directors were held on the following dates:

- a. March 14, 2018;
- b. April 20, 2018;
- c. May 28, 2018
- d. July 6, 2018;
- e. August 28, 2018;
- f. September 10, 2018.

At these meetings, operational and financial reports were discussed. In addition, the following matters were taken up;

1. **March 14, 2018**
  - Appointment of Atty. Diane Madelyn C. Ching and/or Andres Padernal and Paras Law Offices or any of its lawyers, to appear as counsel for the Corporation in relation to the case against Cahirup Tembrevilla-Armogenia and South Sea Resort Hotel Inc.
2. **April 20, 2018**
  - Approval of the Audited Financial Statements for the Year Ending December 31, 2017
3. **May 28, 2018**
  - Grant of Authority to file pleading in relation to Fortunata vs. PDCP case and the Authority to Atty. Noel Allen R. Bose or any lawyers of the VC Bose Law Firm to appear

as counsel for the Corporation regarding Civil Case No. T-2185, pending before the Branch 15 of the Regional Trial Court of the Tabaco City Albay.

**4. July 6, 2018**

- Approval of the Corporation to enter into a Compromise Agreement with Bangko Sentral ng Pilipinas.
- Appointment of Rolando S. Santos, Atty. Manolito A. Manalo, Diane Madelyn C. Ching and any of the lawyers of Ching Law Office as Counsel for the Corporation in relation to the Case entitled Bulaong Enterprises Inc. vs First e-Bank Corporation with Civil Case No. 6784 pending before Branch 22, Regional Trial Court of General Santos City.

**5. August 28, 2018**

- Approval of the Sale of the Corporation's Property in Legaspi City.
- Appointment of Atty. Diane Madelyn C. Ching as Data Privacy Officer
- Change of Signatories in relation to the accounts maintained by the Corporation in BDO Unibank, Inc. (Philam Tower-Valero Branch) located in City of Makati.

**6. September 20, 2018**

- Holding of Annual Stockholder's Meeting

Action will also be taken for the Company to enter into a Management Agreement with RYM Business Management Corporation for a period of up to 5 years for at least PHP 5M per annum, subject to modification by the Board of Directors.

**Item 16. MATTERS NOT REQUIRED TO BE SUBMITTED**

All corporate actions to be taken up at the annual stockholders' meeting will be submitted to the stockholders of the Registrant for their approval in accordance with the requirements of the Corporation Code.

Matters not required to be submitted are the Call to Order and Certification of Notice and Quorum.

**Item 17. Voting Procedures**

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be at least two (2) members who are independent directors.

For all other matters proposed to be acted upon, the affirmative vote of the shareholders representing a majority of the outstanding common capital stock will be needed for approval.

**Manner of Voting**

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders.

In the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his share shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

**Voting Requirements**

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected as directors of the Company.

- (b) All other matters presented for approval of the stockholders of the Company require the affirmative vote of the stockholders representing a majority of the outstanding stock of the Company

#### **Method by which Votes will be Counted**

Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the Stockholders.

### **MANAGEMENT REPORT MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

#### **MANAGEMENT REPORT**

##### **I. Financial Statements**

The Audited Financial Statements of Prime Media Holdings, Inc. (PRIM) for the years ended as of December 31, 2017 are attached to this report.

##### **II. Information on Independent Accountants and other Related Matters**

The Company's financial statements for the years ended December 31, 2017 and 2016 have been audited by Reyes Tacandong & Co. ("RTC"), independent auditors, as stated in their reports appearing herein.

Ms. Belinda B. Fernando is the Company's current audit partner. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the periods or any subsequent interim period.

There were no disagreements with RTC on any matter of accounting and financial disclosure.

The following table sets out the aggregate fees incurred for the years ended December 31, 2017 and 2016 for professional services rendered by RTC:

	2017	2016
Audit and Audit-Related Services	P330,000	P330,000

##### **III. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis is based on the audited financial statements as at December 31, 2017 and 2016, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Financial Statements and should be read in conjunction with the audited consolidated financial statements.

##### **Summary Financial Information**

The Financial Statements as at December 31, 2017 and 2016 and for the years ended December 31, 2016 and 2015 are hereto attached.

The following table sets forth the summary financial information for the years ended December 31, 2017 and 2016:



# Summary of Income Statement

	Years Ended December 31		
	2017	2016	2015
INCOME	₱2,201,162	₱2,973,625	₱2,011,824
EXPENSES	30,105,614	28,653,740	32,674,375
INCOME (LOSS) BEFORE TAX	(27,904,452)	(25,680,115)	(30,662,551)
PROVISION FOR INCOME TAX	531,234	590,871	36,060
NET INCOME (LOSS)	(28,435,686)	(26,270,986)	(30,698,611)
OTHER COMPREHENSIVE INCOME (LOSS)	60,000	(10,000)	100,000
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱28,375,686)	(₱26,280,986)	(₱30,598,611)
BASIC AND DILUTED LOSS PER SHARE	(₱0.04)	(₱0.04)	(₱0.06)

# Summary of Balance Sheet

	December 31	
	2017	2016
ASSETS		
Current Assets	₱16,802,522	₱48,027,135
Noncurrent Assets	71,714,190	68,432,200
	₱88,516,712	₱116,459,335
LIABILITIES AND EQUITY		
Current Liabilities	₱193,071,645	₱193,160,882
Noncurrent Liability	9,556,800	9,034,500
	202,628,445	202,195,382
Equity	(114,111,733)	(85,736,047)
	₱88,516,712	₱116,459,335

# Summary of net cash flows

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES	595,268	(₱70,523,055)	(₱36,743,094)
CASH FLOWS FROM INVESTING ACTIVITIES	(1,577,000)	-	(85,800)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(981,732)	(70,523,055)	(36,828,894)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,701,963	73,225,018	110,053,912
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,720,231	₱2,701,963	₱73,225,018
NONCASH FINANCING ACTIVITY			
Unpaid portion of acquisition cost of AFS financial assets	₱-	₱-	₱-

## **2017 vs. 2016**

### **Statement of Financial Position**

The total Assets of the Company decreased by P 27.78 Million or equivalent to 23.85% from P 116.43 million in 2016 to 88.68 million in 2017. The significant changes were mainly due to the following:

- Cash decreased significantly from P2.70 million as of December 31, 2016 to P1.72 million as of December 31, 2017, a decrease of P0.97 million or equivalent to 36.06% pertains to the payment of administrative expenses.
- Receivable decreased by P2.07 million or equivalent to 45.80% due to the set up of allowance for doubtful accounts on cash advances.
- Other current assets decreased due to the reversal of interest receivable amounting to P0.69 million or equivalent to 74.07%.
- Due from Parent Company decreased significantly by P27.58 million or equivalent to 68.95% pertains to the collection on advances made to RYM Business Management Corporation.
- Equipment increase pertains to purchase of Toyota Hilux amounting to P1.58 million.
- Liabilities increased by P0.48 million or equivalent to 6.27% mainly due to increase in deferred tax liability.
- The company incurred a net loss of P28.32 million in 2017 which resulted to decrease in the total stockholder's equity.

### **Results of Operations**

Operating results reflected a net loss of P28.32 million in 2017, P2.08 million or equivalent to 7.92% higher as compared to 2016 reported net loss of P26.26 million. The significant changes were mainly due to the following:

- Recovery of accounts written-off decreased by P0.58 million or 77.33% due to lower collection this year.
- Provisions for impairment loss increased by P2.13 million due to set up of allowance for doubtful accounts on cash advances made to the previously engaged processing the transfer and registrations.
- Professional fees decreased by P1.11 million or equivalent to 38.14% due to lower legal fees in 2017.
- Outside services increased from P1.09 million in 2016 to P1.32 million in 2017, P0.23 million or equivalent to 21.10% primarily due to engagement of lawyers to attend to litigation cases in which the Company is involved.
- Taxes and licenses decreased from P0.65 million in 2016 to P0.46 million in 2017, 29.23% in due payment of Documentary stamp tax on 2016.
- Rent decreased by P0.08 million or equivalent to 29.63% due to lower association dues in 2017
- Salaries and allowance decreased by P0.13 million or equivalent to 100.00% due to paid allowance on contractual employees in 2016 and none in 2017.
- Depreciation expense increased by P0.10 million for the transportation equipment.
- Other expenses increased by P0.55 million due to recognize of other miscellaneous expense from interest receivable.

## **2016 vs. 2015**

### **Statement of Financial Position**

The total Assets of the Company decreased by P30.44 Million or equivalent to 20.99% from P145.00 Million in 2015 to P114.56 Million in 2016. The significant changes were mainly due to the following:

- Cash decreased significantly from P73.22 million as of December 31, 2015 to P2.70 million as of December 31, 2016, a decrease of P70.52 million or equivalent to 96.31% pertains mainly to the payment of administrative expenses and advances made to RYM Business Management Corporation. The advances were subsequently collected in 2017.

- Due from Parent Company increased significantly by ₱40.00 million or equivalent to 100.00% pertains to the advances made to RYM Business Management Corporation.
- The company incurred a net loss of ₱27.61 million in 2016 which resulted to decrease in the total stockholder's equity.

### **Results of Operations**

Operating results reflected a net loss of ₱27.60 million in 2016, ₱3.10 million or equivalent to 10.10% lower as compared to 2015 reported net loss of ₱30.70 million. The significant changes were mainly due to the following:

- Outside services decreased from ₱2.09million in 2015 to ₱1.09 million in 2016, ₱1.00 million or equivalent to 47.85% decrease primarily due to the payment of appraisal fee for the appraisal on the properties of the Company in 2015.
- Taxes and licenses decreased from ₱1.57 million in 2015 to ₱0.65 million in 2016, 57.96% in due to payment of real property tax.
- Rent decreased by ₱0.98 million or equivalent to 78.40% due to termination of rental contract for office space used in 2015.
- Other expenses decreased by ₱1.15 million due to last year's loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.

### **Key Performance Indicators**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Return on Asset (%)	(0.24%)	0.21%	(0.27%)
Return on Equity (%)	(0.03%)	(0.03%)	0.27%

1/ Return on assets (ROA) was computed based on the ratio of net income/ (net loss) to average assets.

2/ Return on equity (ROE) was computed based on the ratio of net income/ (net loss) to average equity.

### **IV. Brief Description of the General Nature and Scope of the Business**

The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963.

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2016 and 2015, 663,713,458 Company shares are publicly listed.

On September 12, 2002, the Company's assets and liabilities arising from its development bank operations were transferred to and assumed by Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2016 and 2015, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

As at December 31, 2015, the Company's shareholders are RYM Business Management Corp. (RYM or Parent Company) (43%), Metro Tagaytay Land Company, Inc. (MTLCI) (31%) and Neo Oracle Holdings, Inc. (NOHI) (13%). In 2016, RYM acquired the common stock owned by MTLCI and NOHI

but disposed of 21% of its ownership shares. As at December 31, 2016, RYM effectively owns 66% of the Company's common stock.

The financial statements of the Company as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were approved and authorized for issuance by the Board of Directors (BOD) on April 10, 2017.

#### **Status of Operations**

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its development bank operation to BDO and PDIC. Thus, the Company has continued to incur losses resulting to a capital deficiency of ₱85.7 million and ₱59.5 million as at December 31, 2016 and 2015, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of ₱34.2 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregating ₱179.0 million in 2014 and 2013 to reduce the capital deficiency. The Company is also considering to implement a quasi-reorganization to reduce the capital deficiency.

#### **V. DESCRIPTION OF PROPERTY**

The Company has investment property located in Legazpi City, Albay, which are held for capital appreciation. On September 21, 2018, the Company sold this asset for ₱51,823,306 in order to use the funds to pay the Company's liabilities and defray its expenses. The cash generated in the disposition of the asset will be used to continue its clean-up activity and transfer of asset to PDIC/BDO.

On December 31, 2016, the Company changed its measurement basis on investment properties from cost model to fair value model.

#### **Fair Value Measurement**

Investment properties are revalued periodically a fair values as determined by an independent firm of appraisers. The Latest appraisal report is at December 31, 2017. The fair value of the land amounted to ₱68.1 Million as at December 31, 2016 and ₱66.2 million as at December 31, 2015 and 2014, respectively. The fair value was determined based on valuation performed by independent and professionally qualified appraisers with a report dated April 3, 2017. The fair value measurement for investment properties has been categorized as level 3.

The composition of investment properties follows:

<b><u>Investment properties</u></b>		
	<b>Unaudited 30-Sep-18</b>	<b>Audited December 31 2017</b>
<b>Cost</b>	<b>38,020,000</b>	<b>38,020,000</b>
<b>Movement on fair value changes:</b>		
Beginning balance	31,856,000	30,115,000
Gain (loss) on FV changes	-	1,741,000
Sale of Investment property	69,876,000	-
Ending balance	31,856,000	31,856,000
	-	69,876,000

The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot, time element and others.

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape, and time element. The price per square meter used for valuation ranges from PhP 15,000.00 to PhP 48,246.00 and from PhP 35,000.00 to PhP 40,000.00 as at December 31, 2016 and 2015, respectively.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location and size. Value adjustment used is 30-40% and 5%-10% as of December 31, 2016 and 2015, respectively.

Average price index was arrived at PhP 35,000.0 to PhP37,000.00 per sq.m. and PhP 34,000.00 to PhP 36,000.00 as at December 31, 2016 and 2015, respectively.

## VI. Business Transactions with Related Parties

The Company as of December 31, 2017 and 2016 advances from its wholly-owned subsidiary and affiliate are as follows:

### Parent Company and Other Related Party

	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2017	2016	2017	2016
Parent Company - RYM MGMT CORP.					
Due from (to)	Advances	20,000,000	P40,000,000	12,420,000	P40,000,000
	Management fee	23,092,784	23,092,784	-	-
		43,092,784	63,092,784	12,420,000	P40,000,000
Under common control -					
ROLANDO S. SANTOS/SMSI	Payment of DST	P500,000.00	P-	P500,000.00	P-
MAIRETE HOLDINGS CORPORATION	Advances	P800,000.00	P-	P800,000.00	P-
MARCVENTURES MINING AND DEVELOPMENT CORP.	Advances	P5,000,000.00	P-	P5,000,000.00	P-
		P6,300,000.00		P6,300,000.00	

## VII. Employees

As of December 31, 2017, the Company has no regular employees.

## VIII. Plan of Operation

The Company has no significant operational activity since its primary purpose was changed from a development bank to a holding company in December 2002 other than those described in Item 1 above. There are no known trends, events or material commitments that are expected to have a material favorable or unfavorable impact on the financial condition or on income from continuing operations. The Company also signed subscription agreements with its major stockholders for a total proceeds of P179 million, of which P70 million was received in April 2013 and the balance of P109 million was collected in May and June 2014. This further bring down the capital deficit and will be the major source of funding for the expenses related to the transfer of the remaining assets to PDIC and BSP. Aside from the transfer of assets to PDIC and BSP, the Company continues to pursue the clean-up of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

## IX. Status of Operations



The Company has a capital deficiency of P93.00 million and P79.2 million as at June 30, 2016 and December 31, 2015, respectively. In April 2016 34.19 million shares were converted to 1.37 million common shares at a rate of 25:1, which resulted to a decreased in preferred stock by P34.19 million and increase in common stock by P1.37 million and increase in additional paid capital in excess of par by P32.82 million.

The Company is pursuing discussions with third party investors for additional capital.

#### X. Dividends

The Company has not declared dividend for the years 2017, 2016 and 2015.

#### XI. Legal Proceedings

In the normal course of operations, the Company is named a defendant in various legal actions, but it is the opinion of Management, that the ultimate liability, if any, from these cases will not seriously affect the Company. On July 6, 2018, the Company settled the case entitled Bangko Sentral ng Pilipinas vs. Prime Media Holdings, Inc., docketed Civil Case No. 13130993 and pending before Branch 25, Regional Trial Court, City of Manila in order to avoid protracted litigation.

#### Management Report for the period September 30, 2018

The unaudited Financial Statement of Prime Media Holdings, Inc. as of September 30, 2018 and for nine months period ended September 30, 2018 and 2017 with comparative audited figure as of December 31, 2017 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

#### Summary of Balance Sheets as of September 30, 2018 and December 31, 2017

	September 30, 2018 Unaudited	December 31, 2017 Audited	September 30, 2018 vs. Dec. 31, 2017	
	(P'000)	(P'000)	Amount Increase (decrease) (P'000)	Percentage Increase (decrease)
Current assets	P 61,574	16,803	44,771	266.45%
Noncurrent assets	1,589	71,714	(70,125)	-97.78%
<b>Total Assets</b>	<b>63,163</b>	<b>88,517</b>	<b>(25,354)</b>	<b>-28.64%</b>
Current Liabilities	213,008	193,072	19,936	10.33%
Noncurrent Liability	9,557	9,557	-	0.00%
	222,565	202,629	19,936	9.84%
Stockholders' Equity	(159,402)	(114,112)	(45,292)	39.69%
<b>Total Liabilities and Stockholders' Equity</b>	<b>63,163</b>	<b>88,517</b>	<b>(25,354)</b>	<b>-28.64%</b>

#### Summary of Income Statement for the nine months and three months period ended September 30, 2018 and September 30, 2017.

	For nine months ending Sept. 30		For three months ending Sept. 30	
	2018 (P'000)	2017 (P'000)	2018 (P'000)	2017 (P'000)
Revenues	1,129	386	528	240
Expenses	46,419	19,658	42,990	6,271
Loss before tax	(45,290)	(19,272)	(42,462)	(6,031)

Provision for income tax	-	-	-	-
Total comprehensive loss	(45,290)	(19,272)	(42,462)	(6,031)

Summary of Statements of Cash Flows for nine months and three months period ended September 30, 2018 and September 30, 2017.

	For nine months ending September 30		For three months ending September 30,	
	2018 (P'000)	2017 (P'000)	2018 (P'000)	2017 (P'000)
Cash provided (used) in operating activities	(29,068)	8,598	(48,044)	10,475
Cash used in investing activities	69,876	(1,577)	69,876	(1,577)
Cash at beginning	1,720	2,702	20,696	824
Cash at end of the quarter	42,528	9,723	42,528	9,723

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The company has not been actively operating other than the activities connected with the transfer of the Company's remaining assets to the Philippine Depositary Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP). The Company also continues to pursue the cleanup of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

### FINANCIAL CONDITION AND RESULTS OF OPERATION

#### Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

The results of operation for the nine months ended September 30, 2018 and September 30, 2017 were net loss of P45.3 million and P19.27 million, respectively or equivalent to P26.01 million or 156% increase.

Significant changes in the income accounts for the nine months ended September 30, 2018 versus the same period last year are as follows:

- Interest income decreased by P0.004 million or equivalent to 48% due to lower bank balance for this period.
- Recovery of asset previously written off is P0.25 million this period compared to P0.17 million last year or an increase of P .08 or 48% equivalent.
- Rental income of P0.67 increased is recognized this period or equivalent to 319%.
- No management fee is recognized for this year.
- Professional fee increased by P0.73 million or equivalent to 60%. The increase pertains to payment of legal fees.
- Other Services increased by P0.63 million or 109% for payment of services for asset management, transfer and registration. .
- Rent expense for the period is P2.62 million as compared to P0.04 million last year, increased by P2.6 million. The increase is mainly due to payment of arrears on associations dues to Landco Business Park as well as penalties from years 2011 to September 2018 concerning the Legaspi Property.

- Taxes and licenses increased by ₱1.07 million or equivalent to 678% mainly due to payment of Real Property Taxes of the Legaspi for the 1st to 3rd Quarter of 2018.
- Depreciation increased by P 0.24 million due to the depreciation of a new purchased transportation equipment.
- Other expenses increased by ₱20.95 million mainly due to the current year payment of the compromise settlement to Bangko Sentral ng Pilipinas involving a litigation.
- The Company sold its Legaspi Property in favor of Pacific Mall Corporation for ₱51,823,306.50. While the sale resulted to loss of P18.05 million representing the difference between the selling price and the fair market value of the Legaspi property as recognized in the books. The Company was able to settle the accumulating liabilities due on the said property. In addition, the Company was able to generate cash to defray the expenses for the clean-up activity and to venture into other investments.

### **Three months ended September 30, 2018 compared with three months ended September 30, 2017**

The results of operation for the three months ended September 30, 2018 and September, 2017 were net loss of ₱42.46 million and ₱6.03 million, respectively or equivalent to 604% increased

Significant changes in the income accounts for the three months ended September 30, 2018 versus the same period last year are as follows:

- Recovery of asset previously written off is ₱0.05 million this period or equivalent to 31%.
- Rental income of ₱0.31 million is recognized this period compared to ₱0.07 million last year
- Professional fees increased by ₱0.08 million or equivalent to 28%. Higher payment on audit and legal fees this year.
- Taxes and licenses increased by ₱0.84 million mainly due to payment to BIR of real estate taxes.
- Outside services increased by P 0.03 million or equivalent to 71% compared to last years expense.
- Rent expense of P 2.55 million is recognized this period due to increase in association dues.
- Other expenses increase by ₱20.95 million mainly due to the payment of compromise fee to BSP.

### **STATEMENT OF FINANCIAL POSITION**

The significant changes in the Statement of Financial Position accounts during the nine months ended September 30, 2018 versus the December 31, 2017 level are as follows:

Total assets stood at ₱63.16 million which is ₱25.36 million or 28.64% lower than the December 31, 2017 level. Significant changes were mainly due to the following:

- Cash increased significantly from ₱1.72 million as of December 31, 2017 to ₱45.29 million as of September 30, 2018 was brought mainly by the proceeds of sale of the investment property.
- The increase in receivable pertains to the amount withheld by Pacific Mall Corporation in relation to the sale of investment property in Legaspi City which represents the 6% tax as assessed by the Bureau of Internal Revenue amounting to ₱3.42 million.



- Increase in Other current asset of ₱.83 million or equivalent to 400% was brought by payment of a prepaid insurance and accumulated input vat of the company.
- Decrease in Non-Current assets ₱70.13 million or equivalent to 97.78% resulted from the sale of investment property in Legaspi, Albay amounting to ₱69.88 million.
- The company incurred a net loss of ₱45.29 million as of September 30, 2018 which resulted to decrease in the total stockholder's equity.
- The increase in Due to Related party accounts represents a fund amounting to ₱20 million transferred by RYM Business Management Corporation for the payment of BSP Compromise Settlement.
- The significant change on Liabilities during this interim period is due to payment of accrued expenses.
- The company has capital deficiency of ₱159.4 million and ₱114.11 million as of September 30, 2018 and December 31, 2017 respectively. An increased in capital deficiency of ₱45.29 million or equivalent to 39.69% pertains to net loss for the period.

#### STATEMENT OF CASH FLOWS

The net cash provided in operating activities amounted to ₱42.53 million for the nine months ended September 30, 2018 as compared to the same period last year amounted to ₱9.72 million. The increase in cash from operation is the net result of the following:

- Net loss generated during the nine months period.
- Increase in due to related parties
- Proceeds from sale of investment property.
- Collection of advances to affiliates.
- Increase in Receivables
- Increase in other assets

The net effect of the foregoing operating activities, is an increase of ₱ 32.80 million and a balance of ₱42.53 million in cash as of September 30, 2018 as compared to ₱9.72 million as of September 30, 2017.

#### Horizontal and Vertical Analysis:

	Unaudited September 30, 2018	Audited 2017	Increase(decrease) Amount      Percentage	
ASSETS				
Current Assets				
Cash on hand and in banks	₱ 42,527,919	₱1,720,231	₱ 40,807,688	2372.22%
Receivable	6,398,005	2,453,932	3,944,072	160.72%
Due from Related Parties	11,606,938	12,420,000	(813,062)	-6.55%
Other current assets	1,040,876	208,359	832,518	399.56%
Total Current Assets	61,573,738	16,802,522	44,771,216	266.46%
Noncurrent Assets				
Investment Property	-	₱69,876,000	₱ (69,876,000)	-100.00%
Available-for-sale investment	₱300,000	300,000	-	0.00%
Equipment (Net)	1,288,770	1,538,190	(249,420)	-16.22%
Total Noncurrent Assets	₱1,588,770	₱71,714,190	₱ (70,125,420)	-97.78%

	<b>P63,162,508</b>	<b>P88,516,712</b>	<b>P (25,354,204)</b>	<b>-28.64%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accrued expenses and other current liabilities	<b>P193,007,576</b>	<b>P193,071,645</b>	<b>P (64,070)</b>	<b>-0.03%</b>
Due to Related Parties	<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>100.00%</b>
<b>Noncurrent Liabilities</b>				
Deferred tax liability	<b>9,556,800</b>	<b>9,556,800</b>	<b>-</b>	<b>0.00%</b>
	<b>P222,564,376</b>	<b>P202,628,445</b>	<b>P19,935,930</b>	<b>9.84%</b>
<b>Equity</b>				
Preferred Capital stock	<b>P14,366,260</b>	<b>P14,366,260</b>	<b>-</b>	<b>0.00%</b>
Common Capital stock	<b>700,298,616</b>	<b>700,298,616</b>	<b>-</b>	<b>0.00%</b>
Additional paid-in capital	<b>-</b>	<b>2,114,921,869</b>	<b>(2,114,921,869)</b>	<b>-100.00%</b>
Net unrealized gain on AFSI	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>0.00%</b>
Deficit	<b>(874,166,743)</b>	<b>(2,943,798,478)</b>	<b>2,069,631,735</b>	<b>-70.30%</b>
Total Equity	<b>P (159,401,867)</b>	<b>P (114,111,733)</b>	<b>P (45,290,134)</b>	<b>39.69%</b>
	<b>P63,162,508</b>	<b>P88,516,712</b>	<b>P (25,354,204)</b>	<b>-28.64%</b>

### Corporate Governance

The Company adopted a manual on corporate governance, which details the standards by which it conducts sound corporate governance consistent with relevant laws and regulations.

Ultimate responsibility for the Company's adherence to its manual rests with its Board of Directors, and through three committees that are to be charged with oversight functions on specific areas of the Company's activities. The Audit Committee is charged with internal audit oversight over all of the Company's transactions. The Nomination Committee is charged with ensuring that those admitted as members of the Company's Board of Directors are qualified, as well as ensuring fair representation of independent directors in the Company's Board of Directors. Finally, the Compensation and Remuneration Committee is tasked to ensure that fair compensation practices are adhered throughout the organization.

In view however, of its current condition, the Company is not actively conducting business. Despite said absence of actual business operations, the Company is currently undergoing internal reorganization and in the processing of evaluating its compliance with its reporting obligations as a public company. As such, it is not in a position to fully comply with the provisions of the manual on corporate governance. There is no regular meetings conducted by the Committees. There is also no Compensation Committee, in view of the fact that the Company's directors and officers currently do not receive compensation for serving as such. Notwithstanding the foregoing, the Company continues to endeavor towards internally reorganizing and evaluating its compliances to the rules applicable to it as a public company. Despite the status of the business operations of the Company, it has submitted to the Securities and Exchange Commission current reports (SEC Form 17-C) and quarterly (SEC Form 17-Q) and annual (SEC Form 17-A) reports to update the investing public of its financial and operational condition.

### Market Information

The closing market price of the Company's common stock in the Philippine Stock Exchange on 30 September 2018 is PhP 1.19.

The high and low prices for each quarter of 2017 and 2018 are provided below:

	Price	
	Low	High
Q1 (2017)	1.01	1.26
Q2 (2017)	0.76	1.17
Q3 (2017)	0.92	1.65
Q4 (2017)	1.02	1.98
Q1 (2018)	1.08	1.68
Q2 (2018)	1.09	1.62
Q3 (2018)	1.15	1.68

The common shares of the Company is held by 1,598 shareholders of common shares and 267 shareholders of preferred shares. The list of the top 20 stockholders of the Company as of 30 September 2018 is attached herewith.

Other than the conversion of preferred shares to common shares as stated in page 13, the Company has no recent sales of unregistered or exempt securities or recent issuance of securities constituting an exempt transaction.

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER(S), THE CORPORATION UNDERTAKES TO FURNISH SAID STOCKHOLDER(S) WITH A COPY OF SEC FORM 17-A, FREE OF CHARGE, EXCEPT FOR THE EXHIBIT ATTACHED THERETO, WHICH SHALL BE CHARGED AT A COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED TO Atty. Diane Madelyn C. Ching at c/o Marcventures, 4<sup>th</sup> Floor Citibank Center Bldg., Paseo de Roxas, Makati City

#### SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 17<sup>th</sup> day of October 2018.

PRIME MEDIA HOLDINGS, INC.

By:

  
 Christopher Sam Salvador  
 Asst. Corporate Secretary

Stock Transfer Service Inc.  
PRIME MEDIA HOLDINGS, INC.  
List of Top 20 Stockholders  
As of 09/30/2018

Rank	Name	Holdings	Rank
1	PCD NOMINEE CORPORATION (FILIPINO)	670,985,577	95.81%
2	FIRST PRODUCERS HOLDINGS CORP. FAO RAY BURTON DEVELOPMENT CORPORATION	6,175,789	00.88%
3	FIRST PRODUCERS HOLDINGS CORP. FAO PRODUCERS PROPERTIES INC.	4,903,852	00.70%
4	RAY BURTON DEVELOPMENT CORPORATION	3,213,293	00.46%
5	PRODUCERS PROPERTIES, INC.	3,013,701	00.43%
6	MERCANTILE INVESTMENT COMPANY, INC.	1,585,989	00.23%
7	DEL ROSARIO,ALBERT,ITF ANTHONY SALIM	1,289,279	00.18%
8	LIM, ERNESTO B.	880,000	00.13%
9	PCD NOMINEE CORPORATION (FOREIGN)	876,836	00.13%
10	YAN, LUCIO W., &/OR CLARA YAN	600,000	00.09%
11	VARGAS, JOEL B.	534,876	00.08%
12	SO, MERLENE, &/OR SO PENG KEE	239,000	00.03%
13	UY, MARIA T.	211,200	00.03%
14	GO, JR.,JOSE YU	210,000	00.03%
15	GO, JOVY LIM	150,000	00.02%
16	QUE LU KIONG	150,000	00.02%
17	ABAD,RUFINO H.	142,011	00.02%
18	TAN, LUCIANO H.	139,600	00.02%
19	NAVALTA, LEONARDO	132,294	00.02%
20	DIZON, LAMBERTO C., &/OR ERLINDA V. DIZON	127,860	00.02%
Total Top 20 Shareholders :		695,561,157	99.32%
Total Outstanding Shares		700,298,616	



112272017002156

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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**Company Information**

SEC Registration No. 0000022401  
Company Name PRIME MEDIA HOLDINGS INC.  
Industry Classification FINANCING COMPANY OPERATIONS  
Company Type Stock Corporation

**Document Information**

Document ID 112272017002156  
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Document Code LTR  
Period Covered November 29, 2017  
No. of Days Late 0  
Department CED/CFD/CRMD/MRD/NTD  
Remarks CERT'N.

# COVER SHEET

2 2 4 0 1

S.E.C. Registration Number

P R I M E M E D I A H O L D I N G S , I N C .  
( f o r m e r l y F i r s t e - B a n k C o r p . )

(Company's Full Name)

1 6 t h F l o o r C i t i b a n k T o w e r ,  
8 7 4 1 P a s e o d e R o x a s ,  
M a k a t i C i t y

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1 2 3 1

Month Day  
Fiscal Year

Certificate of Independent  
Director (Atty. Johnny Y.  
Aruego, Jr.)

FORM TYPE

0 5

Month Day  
Annual Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this  
Doc.

Amended Articles  
Number/Section

Total Amount of Borrowings

Total No. of  
Stockholders

nil

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU

Cashier

STAMPS

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Johnny Y. Aruego, Jr.**, Filipino, of legal age and a resident of No. 167 Libra Street, Cinco Hermanos Subdivision, Marikina City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of PRIME MEDIA HOLDINGS, INC. for its board meeting on 11 December 2017.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

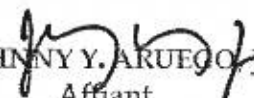
COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Aruego Bite and Associates	Partner	Since 2001
Lorenzana Food Corporation	Corporate Secretary and/or Legal Consultant	Since 2012
A.V. Ocampo-ATR Kimeng Insurance Broker, Inc.	Corporate Secretary and/or Legal Counsel	Since 2011
East Offices Realty and Management Co., Inc.	Legal Counsel	Since 2012
National Steel Corporation	Legal Consultant	Since 2006
PET Plans, Inc.	Assistant Rehabilitation Receiver	Since 2006
Advent Capital and Finance Corporation	Assistant Liquidator	Since 2001
Bacnotan Steel Industries, Inc.	Assistant Liquidator	Since 2003
East Asia (AEA) Capital Corporation	Assistant Liquidator	Since 2009
Reynolds Philippines Corporation	Assistant Liquidator	Since 2005

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PRIME MEDIA HOLDINGS, INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of PRIME MEDIA HOLDINGS, INC. and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.



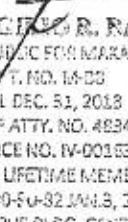
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of PRIME MEDIA HOLDINGS, INC. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this NOV 29 2017 day of MAKATI CITY at \_\_\_\_\_.

  
JOHNNY Y. ARUECO JR.  
Affiant

SUBSCRIBED AND SWORN to before me this NOV 29 2017 day of \_\_\_\_\_ at MAKATI CITY affiant personally appeared before me and exhibited to me his Driver's License No. NO1-87-048565 expiring on 03 February 2019.

Doc. No. 340 ;  
Page No. 74 ;  
Book No. 106 ;  
Series of 2017.

  
ATTY. VIRGEN R. NATALLA  
NOTARY PUBLIC FOR MAKATI CITY  
AP. T. NO. 14-03  
UNTIL DEC. 31, 2013  
ROLL OF ATTY. NO. 48345  
MCLE COMPLIANCE NO. IV-0016333-4/0/13  
LSP O.R. No. 716762, LIFETIME MEMBER JAN. 29, 2003  
PTR. No. 590-SU-92 JAN. 13, 2017  
EXECUTIVE BLDG. CENTER  
MAKATI AVE. COR. JUNTER ST. MAKATI CITY





112272017002150

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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**Company Information**

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Company Type Stock Corporation

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No. of Days Late 0  
Department CED/CFD/CRMD/MRD/NTD  
Remarks CERT'N.

## COVER SHEET

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S.E.C. Registration Number

P	R	I	M	E		M	E	D	I	A		H	O	L	D	I	N	G	S	,		I	N	C	.			
(	f	o	r	m	e	r	l	y		F	i	r	s	t		e	-	B	a	n	k		C	o	r	p	.	)

(Company's Full Name)

1	6	t	h		F	l	o	o	r		C	i	t	i	b	a	n	k		T	o	w	e	r	,	
8	7	4	1		P	a	s	e	o		d	e		R	o	x	a	s	,							
M	a	k	a	t	i		C	i	t	y																

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Certificate of Independent  
Director (Mr. Francisco L. Layug III)

FORM TYPE

0 5

Month Day

Annual  
Meeting

N/A

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this  
Doc.Amended Articles  
Number/Section

Total Amount of Borrowings

--	--	--

Total No. of  
Stockholders

nil

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

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, Francisco L. Layug, III, Filipino, of legal age and a resident of 12 F. Bernabe St., Merville Park Subdivision, Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Prime Media Holdings, Inc. for its board meeting on 21 December 2017.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):


COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Rotary Club of Pasay	President-Elect	2017-2018
University of the Philippines Electronics and Electrical Engineering Alumni Association, Inc. (UPEEEAAI)	President	2010-2011
Alay-Lakad Foundation	Vice President	2009-2010

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Prime Media Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
  4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of Prime Media Holdings, Inc. and its subsidiaries and affiliates.
  5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
  6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
  7. I shall inform the Corporate Secretary of Prime Media Holdings, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.
- 

NOV 29 2017

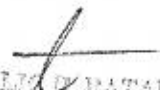
MAKATI CITY

Done this \_\_\_\_\_ day of \_\_\_\_\_, at \_\_\_\_\_.

  
Francisco L. Layug, III  
Affiant

SUBSCRIBED AND SWORN to before me this NOV 29 2017 day of \_\_\_\_\_ at MAKATI CITY affiant personally appeared before me and exhibited to me his/her TIN # 112-818-166 issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. 291;  
Page No. 20;  
Book No. 201;  
Series of 2017.

  
ATTY. VIRCHILIO D. BATALLA  
NOTARY PUBLIC FOR MAKATI CITY  
APPL. NO. 11549  
EXPIRATION DATE: 2018  
ROLL OF ATTY. NO. 42243  
NOTES COMMUNICA. NO. 175016333-4/10/13  
I.B.P. O.A. NO. 12674-13/01/06 MEMBER JAN. 29, 2007  
PTR DO. 1015-12 JAN 12, 2017  
LPA. NO. 1106. CENTER  
MAKATI AVE. COR. 10TH ST. MAKATI CITY

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.S.

**SECRETARY'S CERTIFICATE**

I, **CHRISTOPHER SAM S. SALVADOR**, of legal age, Filipino and with office address at 28<sup>th</sup> Floor Pacific Star Building Makati Ave cor. Sen. Gil Puyat Ave. Makati City 1227, Philippines, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected and qualified Assistant Corporate Secretary of **PRIME MEDIA HOLDINGS INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office at 16<sup>TH</sup> Floor Citibank Tower, 8741 Paseo de Roxas, Makati City.


2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency.

15 OCT 2018 IN WITNESS WHEREOF, this Certificate was signed and issued this \_\_\_\_ day of \_\_\_\_ 2018 at Makati City, Philippines.

  
**CHRISTOPHER SAM S. SALVADOR**  
*Assistant Corporate Secretary*

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of 15 OCT 2018 at Makati City, Philippines, affiant exhibited his \_\_\_\_ valid until \_\_\_\_.

Doc. No. 387;  
Page No. 79;  
Book No. 1;  
Series of 2018.

  
**ANGELA KATRINA K. FERIA**  
Appointment No. M-159 (2018-2019)  
Until 31 December 2019  
Roll No. 69304  
PTR No. 6614473; 01/04/18; Makati City  
IBP No. 011985; 07/18/17; Makati City  
28<sup>th</sup> Flr., Pacific Star Bldg., Makati City

## COVER SHEET

2 2 4 0 1

S.E.C. Registration Number

PRIME MEDIA HOLDINGS, INC.  
 (formerly First e-Bank Corp.)

(Company's Full Name)

16th Floor Citibank Tower,  
 8741 Paseo de Roxas,  
 Makati City

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC 17-A

FORM TYPE

0 5

Month

Day

Annual

Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this  
Doc.Amended Articles  
Number/Section

Total Amount of Borrowings

1,603

Total No. of  
Stockholders

nil

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS



Remarks = pls. Use black ink for scanning purposes  
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2017
  2. SEC Identification Number 22401
  3. BIR Tax Identification No. 000-491-007
  4. Exact name of issuer as specified in its charter PRIME MEDIA HOLDINGS, INC. (Formerly First e-Bank Corporation)
  5. Manila  
Province, Country or other jurisdiction of  
Incorporation or organization
  6.  (SEC Use Only)  
Industry Classification Code:
  7. 16<sup>th</sup> Floor Citibank Tower, 8741 Paseo de Roxas, Makati City  
Address of principal office 1227  
Postal Code
  8. (632) 831-4479  
Issuer's telephone number, including area code
  9. Not applicable  
Former name, former address, and former fiscal year, if changed since last report.
  10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class                 | Number of Shares of Common Stock Outstanding<br>and Amount of Debt Outstanding |
|-------------------------------------|--|
| Preferred stock, PHP 1.00 par value | 14,366,260   |
| Common Stock, Php 1.00 par value    | 700,298,616  |
11. Are any or all of these securities listed on a Stock Exchange?  
Yes ☒ No ☐  
Philippine Stock Exchange
  12. Check whether the issuer:  
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);  
Yes ☒ No ☐  
(b) Has been subject to such filing requirements for the past ninety (90) days  
Yes ☒ No ☐
  13. The aggregate market value of the voting stock held by non-affiliates is 144,492,645 computed on the basis of 124,562,625 representing 17.79% of the outstanding common shares at the closing price as of April 13, 2018 of Pesos 1.16 per share.

Table of Contents	
<b>PART I - BUSINESS AND GENERAL INFORMATION</b>	<b>3</b>
Item 1. Business Development	3
Item 2. Properties	3
Item 3. Legal Proceedings	3
Item 4. Submission of Matters to a Vote of Security Holders	4
<b>PART II - OPERATIONAL AND FINANCIAL INFORMATION</b>	<b>4</b>
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	4
Item 6. Management's Discussion and Analysis or Plan of Operation	7
Item 7. Financial Statements	11
Item 8. Information on Independent Accountant and other Related Matters	11
<b>PART III - CONTROL AND COMPENSATION INFORMATION</b>	<b>12</b>
Item 9. Directors and Executive Officers of the Issuer	12
Item 10. Executive Compensation	14
Item 11. Security Ownership of Certain Beneficial Owners and Management	15
Item 12. Certain Relationships and Related Transactions	16
Part IV-Corporate Governance	16
Item 13. Corporate Governance	16
Part V - Exhibits and Schedules	16
Item 14. Exhibits and Reports on SEC Form 17-C	16
<b>SIGNATURES</b>	<b>17</b>

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **(A) Description of Business**

#### **Item 1. Business Development**

Prime Media Holdings, Inc. (PRIM) was originally incorporated on February 6, 1963 as Private Development Corporation of the Philippines and then changed to PDCP Development Bank, Inc. that same year. On June 6, 2000, the Company changed its name to First e-Bank Corporation and then eventually shifted to its current name on October 20, 2003.

In 2002, Banco de Oro Unibank, Inc. assumed the servicing of PRIM's deposit liabilities and other banking functions. On December 6, 2002, the Board of PRIM approved the amendment of its articles of incorporation to change to primary purpose from a development bank to a holding company, which would hold investments in the media industry.

On January 26, 2013, the Board of Directors (BOD) approved the amendment in its articles of incorporation (AOI) extending the corporate life of PRIM by another 50 years up to February 6, 2063. The Stockholders of the Company approved and ratified the amendment in a special stockholders' meeting on February 4, 2013. On February 5, 2013, the Company filed the amended AOI with the Securities and Exchange Commission (SEC) and SEC approval was obtained last March 4, 2013.

On March 2, 2015, the SEC approved the change of principal office address from 3 San Antonio Street, Barrio Kapitolyo, Pasig City to 16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City.

In view of the very minimal operations, the Company gradually retired all its employees by 2010 and engaged consultants/service providers to service its requirements.

#### **Item 2. Properties**

Practically all the properties of the Company while it was still a bank consisting of bank premises (land, buildings and leasehold rights) and real estate acquired through dacion and foreclosure were conveyed to BDO/PDIC. There are certain properties which remains as investment properties which are primarily to finance the operating expenses of the Company. Please refer to Note 7 of the 2016 Audited Financial Statements (AFS).

#### **Item 3. Legal Proceedings**

Considering the Company's previous operation, the Company was named defendant in various legal actions. One of the cases which may affect the Company is the case of *Bangko Sentral ng Pilipinas vs. Prime Media Holdings, Inc.*, docketed Civil Case No. 13130993 and pending before Branch 25, Regional Trial Court, City of Manila. The summary of the case is provided below.

Bangko Sentral ng Pilipinas (BSP) filed an action for Collection of a Sum of Money in the amount of ₱42,487,770.23 representing alleged rental arrears under the (i) Contract of Lease with Option to Purchase ("Contract") between the BSP and PDCP Development Bank (PDCP Bank, which changes its name to First E-Bank Corporation or First E-Bank, now, Prime Media Holdings, Inc. or PMHI) dated 14 January 2001; (ii) Agreement to Extend the Buyback Period of the Repurchased Properties ("Agreement of 2001") dated 30 July

2001 between the BSP and First E-Bank; and (iii) Renewal of Contract of Lease with Option to Purchase ("Agreement of 2002"), notarized on 8 January 2002.

In its Answer, PMHI interposed a defense that the Contracts on which the Complaint is based, are all void and inexistent violative of the General Banking Act, principle of mutuality of contracts as well as Articles 19, 20 and 21 of the Civil Code, and principle on unjust enrichment under Article 22 of the same Code. As counterclaim, PMHI is claiming the amount of One Hundred Forty Five Million Pesos (P145,000,000.00) which was unilaterally forfeited by BSP.

The parties have submitted their formal offer of evidence.

Please see Note 14 of the attached 2016 AFS.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

During the Annual Shareholders' Meeting held last 21 December 2017, the following were submitted for approval of the shareholders:

1. Call to order
2. Certification of Quorum
3. Approval of Minutes of the previous meeting
4. Approval of Management Report and Audited Financial Statements
5. Ratification of Management's Act
6. Election of Directors
7. Appointment of External Auditor
8. Other matters
9. Adjournment

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

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

##### **(1) Market Information**

The total number of outstanding shares of record as of December 31, 2016 is 700,298,616 of which 663,713,458 is actively being traded in the Philippine Stock Exchange. The high and low sales prices in pesos for each quarter within the last three fiscal years 2014 to 2016 are given below:

Year	Quarter	High	Low
2015	1 <sup>st</sup>	1.62	1.30
	2 <sup>nd</sup>	1.68	1.28
	3 <sup>rd</sup>	1.40	1.08
	4 <sup>th</sup>	1.67	1.10
2016	1 <sup>st</sup>	1.47	0.90
	2 <sup>nd</sup>	1.84	1.25
	3 <sup>rd</sup>	1.35	1.16
	4 <sup>th</sup>	1.54	1.13
2017	1 <sup>st</sup>	1.26	1.01
	2 <sup>nd</sup>	1.17	0.76
	3 <sup>rd</sup>	1.65	0.92

Year	Quarter	High	Low
	4 <sup>th</sup>	1.98	1.02

## (2) Holders of Securities

### Common Shareholders

The number of common shareholders on record as of December 31, 2017 is 1,603. The list of the top twenty common shareholders as of December 31, 2017 is provided below:

	Name of Stockholders	No. of shares	%age of ownership
1	PCD Nominee Corporation (Filipino)	670,538,553	95.75
2	First Producers Holdings, Corp. FAO Ray Burton Dev't Corporation	6,175,789	0.88
3	First Producers Holdings, Corp. FAO Producers Properties, Inc.	4,903,852	0.70
4	Ray Burton Development Corporation	3,213,293	0.46
5	Producers Properties, Inc.	3,013,701	0.43
6	Mercantile Investment Company, Inc.	1,585,989	0.23
7	PCD Nominee Corporation (Foreign)	1,301,836	0.19
8	Albert Del Rosario ITF Anthony Salim	1,289,279	0.18
9	Ernesto B. Lim	880,000	0.13
10	Lucio W. Yan &/or Clara Yan	600,000	0.09
11	Joel B. Vargas	534,876	0.08
12	Merlene So &/or So Peng Kee	239,000	0.03
13	Maria T. Uy	211,200	0.03
14	Jose Yu Go, Jr.	210,000	0.03
15	Jovy Lim Go	150,000	0.02
16	Qeu Lu Kiong	150,000	0.02
17	Rufino H. Abad	142,011	0.02
18	Luciano H. Tan	139,600	0.02
19	Leonardo Navalta	132,294	0.02
20	Lamberto C. Dizon &/or Erlinda V. Dizon	127,860	0.02

### Preferred Shareholders

The number of preferred shareholders of record as of December 31, 2017 was 267. Preferred shares outstanding as of December 31, 2017 were 14,366,260. The top twenty shareholders are as follows:

No.	Name of Stockholders	No. of shares	%age of ownership
1	Florentino L. Martinez	907,340	6.32%
2	Carlos Torres	800,000	5.57%
3	MDI Employees Retirement Plan	610,450	4.25%
4	Metrolab Employees Retirement Plan	545,040	3.79%
5	Helena Lleraza	529,810	3.69%
6	HPPI Employees Retirement Plan	500,000	1.03%
7	E. Chua Chiacco Sec., Inc.	449,640	3.13%
8	Citi Securities Inc.	403,000	2.81%
9	Wealth Securities, Inc.	402,000	2.80%
10	Virginia U. Ng	344,470	2.40%
11	PNB Securities Inc.	300,280	2.09%
12	Tato A. Johan	300,000	2.09%
13	BDO Trust Banking Group Fao Miriam College Foundation Inc. Employees	280,000	1.95%
14	Antonio R. Samson	250,000	1.74%
15	Segundo Seangio	244,000	1.70%
16	Diversified Sec., Inc.	218,080	1.52%
17	Antonio Alipio	218,000	1.52%
18	Teresita Cometa	210,000	1.46%
19	Eastern Securities Devt. Corp.	196,340	1.37%
20	Virginia U. Ng	183,130	1.27%

### (3) Dividends

There were no dividends declared.

### (4) Recent Sales of Unregistered or exempt Securities

On April 6, 2013, the BOD approved the conversion of advances from Neo Oracle Holdings, Inc. (NOHI) and Metro Tagaytay Land Co. Inc. (MTLCI) amounting to ₱119.7 million and ₱480.8 million, respectively, into 47,861,410 common shares and 192,323,360 common shares, respectively, at stipulated conversion price of ₱2.50 per common share.

On the same date, the BOD entered into a subscription agreement with NOHI and MTLCI for ₱179.0 million or 71.6 million common shares with an issue price of ₱2.50 per share. The Company received the minimum subscription price amounting to ₱70.0 million which was used by the Company to pay its loan with BDO. During May and June 2014, NOHI and MTLCI fully paid their subscriptions with the payment of the ₱109 million balance.



As of December 31, 2014, the Company issued 311,784,770 shares to NOHI and MTLCI as a result of the conversion of advances and subscription agreement. The listing of the said shares was approved by the PSE on December 15, 2014.

#### Item 6. Management's Discussion and Analysis or Plan of Operation.

The Company has not been actively operating since its primary purpose was changed from a development bank to a holding company in December 2002 other than the continuing activities described in Part I A (1). There are no known trends, events or material commitments that are expected to have a material favorable or unfavorable impact on the financial condition or on income from continuing operations. The Company also signed subscription agreements with its major stockholders for a total proceeds of ₱179 million, of which ₱70 million was received in April 2013 and the balance of ₱109 million was collected in May and June 2014. This further bring down the capital deficit and will be the major source of funding for the expenses related to the transfer of the remaining assets to PDIC and BSP. Aside from the transfer of assets to PDIC and BSP, the Company continues to pursue the clean-up of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

The Company is still exploring for a new business. Its current activities comprise mainly of transferring asset related to its development bank operation to BDO & PDIC. Thus, the company has continued to incur losses resulting to a capital deficiency of ₱114.11 million and ₱85.74 million as at December 31, 2017 and 2016, respectively. The Stockholders, however, have continued to provide the necessary financial support to sustain company operations. The stockholders converted their preferred stock of ₱48.6 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregate ₱119.0 million in 2014 and 2013 to reduce capital deficiency. The Company is considering the implementation of a Quasi reorganization to reduce capital deficiency.

Explanations for the material changes in the Company's accounts between 2017 and 2016 are as follows:

#### Statement of Financial Position

	Audited		Increase(Decrease)	
	2017	2016	Amount	%
	(in PhP Millions)			
Assets	₱88.68	₱116.46	(27.78)	(23.85)
Liabilities	202.68	202.20	0.48	6.27
Stockholders' Equity	(114.00)	(85.74)	(28.26)	32.96

The total Assets of the Company decreased by ₱27.78 Million or equivalent to 23.85% from ₱116.43 Million in 2016 to ₱88.68 Million in 2017. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱2.70 million as of December 31, 2016 to ₱1.72 million as of December 31, 2017, a decrease of ₱0.97 million or equivalent to 36.06% pertains mainly to the payment of administrative expenses.
- Receivable decreased by ₱2.07 million or equivalent to 45.80% due to set up of allowance for doubtful accounts on cash advances.
- Other current assets decreased due to reversal of interest receivable amounting to ₱0.69 million or equivalent to 74.07%.
- Due from Parent Company decreased significantly by ₱27.58 million or equivalent to 68.95% pertains to the collection on advances made to RYM Business Management Corporation.
- Equipment increased pertains to purchase of Toyota Hilux amounting to ₱1.58 million.
- Liabilities increased by ₱0.48 million or equivalent to 6.27% mainly due to increase in deferred tax liability.
- The company incurred a net loss of ₱28.32 million in 2017 which resulted to decrease in the total stockholder's equity.

### Results of Operations

In million

	Audited		Increase(Decrease)	
	2017	2016	Amount	%
Income	2.36	2.97	(0.61)	(20.54)
Expenses	30.12	28.64	1.48	5.17

Operating results reflected a net loss of ₱28.32 million in 2017, ₱2.08 million or equivalent to 7.92% higher as compared to 2016 reported net loss of ₱26.26 million. The significant changes were mainly due to the following:

- Recovery of accounts written-off decreased by ₱0.58 million or 77.33% due to lower collected this year.
- Provision for impairment loss increased by ₱2.13 million due to set up of allowance for doubtful accounts on cash advances made to the previously engaged for processing the transfer and registrations.
- Professional fees decreased by ₱1.11 million or equivalent to 38.14% due to lower legal fees in 2017.
- Outside services increased from ₱1.09 million in 2016 to ₱1.32 million in 2017, ₱0.23 million or equivalent to 21.10% primarily due to engagement of individual for court appearance.
- Taxes and licenses decreased from ₱0.65 million in 2016 to ₱0.46 million in 2017, 29.23% in due to payment of Documentary stamp tax on 2016.

- Rent decreased by ₱0.08 million or equivalent to 29.63% due lower association dues in 2017.
- Salaries and allowance decreased by ₱0.13 million or equivalent to 100.00% due to paid allowance on contractual employees in 2016 and none in 2017.
- Depreciation expense increased by ₱0.10 million for the transportation equipment.
- Other expenses increased by ₱0.55 million due to recognize of other miscellaneous expense from interest receivable.

**Explanations for the material changes in the Company's accounts between 2016 and 2015 are as follows:**

#### **Statement of Financial Position**

The total Assets of the Company decreased by ₱30.44 Million or equivalent to 20.99% from ₱145.00 Million in 2015 to ₱114.56 Million in 2016. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱73.22 million as of December 31, 2015 to ₱2.70 million as of December 31, 2016, a decrease of ₱70.52 million or equivalent to 96.31% pertains mainly to the payment of administrative expenses and advances made to RYM Business Management Corporation. The advances were subsequently collected in 2017.
- Due from Parent Company increased significantly by ₱40.00 million or equivalent to 100.00% pertains to the advances made to RYM Business Management Corporation.
- The company incurred a net loss of ₱27.61 million in 2016 which resulted to decrease in the total stockholder's equity.

#### **Results of Operations**

Operating results reflected a net loss of ₱27.60 million in 2016, ₱3.10 million or equivalent to 10.10% lower as compared to 2015 reported net loss of ₱30.70 million. The significant changes were mainly due to the following:

- Outside services decreased from ₱2.09million in 2015 to ₱1.09 million in 2016, ₱1.00 million or equivalent to 47.85% decrease primarily due to the payment of appraisal fee for the appraisal on the properties of the Company in 2015.
- Taxes and licenses decreased from ₱1.57 million in 2015 to ₱0.65 million in 2016, 57.96% in due to payment of real property tax.
- Rent decreased by ₱0.98 million or equivalent to 76.40% due to termination of rental contract for office space used in 2015.
- Other expenses decreased by ₱1.15 million due to last year's loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.



Explanations for the material changes in the Company's accounts between 2015 and 2014 are as follows:

#### Statement of Financial Position

The total Assets of the Company decreased by ₱36.89 Million or equivalent to 24.00% from ₱153.67 Million in 2014 to ₱116.78 Million in 2015. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱110.05 million as of December 31, 2014 to ₱73.22 million as of December 31, 2015, a decrease of ₱36.83 million or equivalent to 33.46% pertains mainly to payment of liabilities and administrative expenses.
- Receivables decreased from ₱4.65 million as of December 31, 2014 to ₱4.38 million as of December 31, 2015, a decrease of ₱0.27 million or equivalent to 5.70% mainly due to the collection of the subleased property rent.
- The company incurred a net loss of ₱30.70 million in 2015 which resulted to decrease in the total stockholder's equity by ₱30.60 million.

#### Results of Operations

Operating results reflected a net loss of ₱30.70 million in 2015, ₱29.43 million or equivalent to 2,326.61% higher as compared to 2014 reported net loss of ₱1.27 million. The significant changes were mainly due to the following:

- The company entered into management agreement with RYM Business Management Corporation for a Management services amounting to ₱23.1 million.
- Professional fee increased from ₱0.46 million to ₱2.50 million in 2015 or equivalent to 443.48% due to monthly legal fees paid for the cases handled.
- Outside services increased from ₱1.61 million in 2014 to ₱2.09 million in 2015, ₱0.47 million or equivalent to 29.39% decrease primarily due to payment of appraisal fee for the appraisal on the properties of the Company amounting to ₱1.15 million.
- Taxes and licenses increased from ₱1.36 million in 2014 to ₱1.57 million in 2015, 14.86% in due to payment of real property tax.
- Rent increased by ₱0.62 million or equivalent to 98.5% due to payment of office rental, storage and warehouse charges.
- Other expenses increased by ₱0.71 million due to loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.

#### Performance Indicators

##### Key Performance Indicators (KPI's)

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2017 and December 31, 2016:

	2017	2016
Loss	(₱27,744,452)	(₱25,680,115)
Current assets	16,802,522	48,027,135

	2017	2016
Total assets	88,676,712	116,459,334
Current liabilities	193,071,645	193,160,882
Total liabilities	202,676,445	201,195,382
Stockholders' Equity	(113,999,733)	(85,736,047)
No. of common shares outstanding	700,298,616	700,298,616

	2017	2016
Current ratio <sup>1</sup>	0.09	0.25
Book value per share <sup>2</sup>	(0.16)	(0.12)
Debt ratio <sup>3</sup>	(1.78)	(2.36)
Profit per share <sup>4</sup>	(0.04)	(0.04)
Return on assets <sup>5</sup>	(0.27)	(0.44)

Note:

1. Current assets / current liabilities
2. Stockholder's Equity / Total outstanding number of shares
3. Total Liabilities / Stockholder's Equity
4. Net Income ( Loss ) / Total outstanding number of shares
5. Net income / average total assets

#### Item 7. Financial Statements

The 2016 Audited Financial Statements and schedules are filed as part of Form 17-A.

#### Item 8. Information on Independent Accountant and other Related Matters

##### External Audit Fees and Services

	Year Ended December 31	
	2017	2016
Audit Fees	₱330,000	₱330,000

**Audit Fees.** Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2017 and 2016.

Audit services provided to the Company by external auditor have been pre-approved by the Audit Committee. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

##### Changes in and disagreements with Accountants on Accounting and financial Disclosure

There was no event in the past years where the external auditor and the Registrant had any disagreements with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

### PART III - CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the Issuer

##### Directors

The following are the names, ages, citizenship and periods of service of the past and the incumbent directors/independent directors of the Company:

Name	Age	Citizenship	Period during which individual has served as such
Manolito A. Manalo	47	Filipino	May 28 2013 to present
Bernadeth A. Lim	33	Filipino	May 28 2013 to present
Juan Victor S. Valdez	44	Filipino	May 28 2013 to present
Diane Madelyn C. Ching	35	Filipino	October 2013 to present
Rolando S. Santos	67	Filipino	January 06 2017 to present
Johnny Y. Aruego Jr. (independent director)	46	Filipino	May 28 2013 to present
Francisco L. Layug III (independent director)	63	Filipino	December 21 2017 to present

##### Officers

The following are the names, ages, positions, citizenship and periods of service of the past and incumbent officers and advisors of the Company:

Name	Age	Position	Citizenship	Period during which individual has served as such
Manolito Manalo	47	President & CEO	Filipino	May 2013 to present
Bernadeth A. Lim	33	Vice President	Filipino	May 2013 to present
Diane Madelyn C. Ching	35	Corporate Secretary	Filipino	May 2014 to present
Rolando S. Santos	67	Treasurer	Filipino	January 06 2017 to present
Christopher Sam S. Salvador		Co-Corporate Information Officer	Filipino	December 2014 to present

#### Business Experience and Other Directorships

##### Directors

The business experience of each of the past and incumbent directors of the Company for the last five (5) years is as follows.

##### Directors

**Manolito A. Manalo** was elected as President and Director in May 2013. He is the co-founder and managing partner of Ocampo and Manalo Law Firm. He is a Director and President of Panalpina World Transport (Phils.), Inc. He also sits as Director in Kajima Philippines Inc. He began his law practice as an associate in Leovillo C. Agustin Law Offices



from 1995 to 1996 and Britanico Consunji and Samiento from 1996 to 1997. He later headed the Legal Division of Air Philippines from 1997 to 1999.

**Bernadeth A. Lim** was elected as Vice President and Director in May 2013. She is a junior partner of Ocampo and Manalo Law Firm. She is a Director and Corporate Secretary of Kajima Philippines Incorporated, Ripple Mobile Technology Solutions Inc., Anawhan Realty Inc. and Bryaric Holdings Corp. She also sits a Director in Veripay Mobile Systems Inc.

**Juan Victor S. Valdez** was elected as Director in May 2013. He is a junior partner of Ocampo and Manalo Law Firm. He is a director, Vice-President for Legal Affairs and Corporate Secretary of PATTS College of Aeronautics, one of the country's leading aeronautic schools. He also sits as director in Segundo Travel & Tours Inc., Hafti Tours Inc., and Kajima Philippines Incorporated.

**Monica Isabelle I. Villanueva** was elected as Corporate Secretary and Director in April 2013 up to August 22, 2017. She is a senior associate in Ocampo and Manalo Law Firm. She is also a Director in Autocardinal Inc., Building Maintenance Unit Inc., Manorfort Capital Inc. and Ripplewood Property Holdings Inc.

**Diane Madelyn C. Ching** was elected as Director in October 2013. She currently serves as Corporate Secretary of AG Finance Inc. and Bright Kindle Resources & Investments Inc. (formerly Bankard Inc.) as well as General Counsel and Assistant Corporate Secretary of Marcventures Holdings Inc. and its subsidiary, Marcventures Mining and Development Corp. She provides legal consultancy services to PLDT Global (Philippines) Corp. Atty. Ching was previously an associate of Ocampo & Manalo Law Firm from March 2010 to June 2013.

**Johnny Y. Aruego, Jr.** was elected as an Independent Director in May 2013. He is a partner in Aruego Bite and Associates. He is a director of Excel Unified Land Resources Corporation. He is the Corporate Secretary and Legal Counsel for Agility, Inc. and A. V. Ocampo-ATR Kimeng Insurance Broker, Inc. He is a Legal Consultant of Loranzana Food Corporation, National Steel Corporation and Margarita Land and Management Co., Inc. He is the assistant rehabilitation receiver for Pacific Activated Carbon, Inc., Pet Plans, Inc., Bacnotan Steel Industries, Inc. and All Asia Capital and Trust Corporation. He is an assistant liquidator of East Asia Capital Corporation, Reynolds Philippines Corporation.

**Francisco L. Layug III** was elected as an Independent Director in December 2017. He is the President of Rotary Club of Pasay. He served as President of University of the Philippines Electronics and Electrical Engineering Alumni Association, Inc. (UPEEEAAI) from 2010-2011. He was also a Vice President of Alay-Lakad Foundation from 2009-2010.

#### **Other Officers**

The business experience of each of the incumbent officers of the Company for the last five (5) years is as follows:

**Rolando S. Santos** was elected as Treasurer in October 2013 and Director in August 22, 2017. He serves as Vice President and Treasurer of Bright Kindle Resources & Investments Inc. and as Treasurer of Marcventures Holdings Inc. and Marcventures Mining and Development Corp. He was previously the Branch Head/ Cluster Head for Makati Branches of Equitable PCI Bank which was eventually acquired by BDO from 2001 to 2013.

Christopher Sam S. Salvador was re-elected as Co-Corporate Information Officer in December 2017. He is an associate of Ocampo & Manalo law firm. He is a director and the Treasurer of Pureholdings, Inc., Corporate Secretary of Timebound Trading Inc., and Associate Corporate Secretary for Island Travoyager, Inc. and Bacuit Airholdings, Inc.

#### Item 10. Executive Compensation

The aggregate compensation paid in 2016 and 2017 and estimated to be paid in 2018, to the officers of the Company is set out below:

Names	Position	Year	Salary	Bonus	Others
Manolito A. Manalo	Chairman & President				
Bernadeth A. Lim	Vice President				
Diane Madelyn C.	Corporate				
Rolando S. Santos	Treasurer				
Aggregate for above named		2015	0	0	22,222
		2016	0	0	25,000
All Directors and Officers as a group unnamed		2015	0	0	27,778
		2016	0	0	30,000
		2017	0	0	25,000
		2018(est.	0	0	70,000

# **Item 11. Security Ownership of Certain Beneficial Owners and Management**

Security Ownership of Record and Beneficial Owners of at least 5% of the Company's Securities as of 31 December 2017:

Type of Class	Name and address of record owner and relationship with Issuer	Citizenship	Name of Beneficial Owner & Relationship with Record Owner	No. of Shares Held	Percent of class
Common Shares	PCD Nominee	Filipino	RYM Business Management Corp./ Client	463,555,085	66.19%
Common Shares	PCD Nominee	Filipino	Isidro C. Alcantara, Jr.	97,178,901	14.00%

On December 18, 2015, the Company disclosed that it received information from RYM Business Management Corp. that the latter acquired through foreclosure sale 93,685,410 and 218,099,360 common shares owned by NOHI and MTLCI, respectively, resulting to 87.38% ownership in the Company.

Other than the abovementioned transaction, the Company has no knowledge of any person who, as of December 31, 2017, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

## **Security Ownership of Management as of December 31, 2017**

Type of Class	Name and Address of Owner	Amount and nature of Beneficial ownership	Citizenship	Percent of class
Common	Manolito Manalo	1	Filipino	0.0%
Common	Bernadeth A. Lim	1	Filipino	0.0%
Common	Diane Madelyn Ching	1,000	Filipino	0.0%
Common	Juan Victor S. Valdez	1	Filipino	0.0%
Common	Johnny Y. Aruego Jr.	1	Filipino	0.0%
Common	Rolando S. Santos	1,000		
Common	Francisco L. Layug III	1	Filipino	0.0%
TOTAL		2,005		

## **Changes in Control**

The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company. As reported to the SEC and PSE, on December 18, 2015, RYM Business Management Corp. acquired through foreclosure sale 93,685,410 and 218,099,360 common shares owned by NOHI and MTLCI, respectively, resulting to 87.38% ownership in the Company.

**Item 12. Certain Relationships and Related Transactions**

As of December 31, 2017, Bright Kindle Resources Corporation has an outstanding balance of ₱898,953 which represents a non-interest bearing unsecured rent receivable to be settled on demand. Also, as of December 31, 2015, the Company has a liability to Marcventures Mining and Development Corporation amounting to ₱22,475 which represents a non-interest bearing unsecured payable to be settled on demand. Please refer to Note 15 of the attached 2015 AFS.

**Part IV-Corporate Governance****Item 13. Corporate Governance**

This portion has been deleted pursuant to SEC Memorandum Circular No. 05 Series of 2013.

**Part V – Exhibits and Schedules****Item 14. Exhibits and Reports on SEC Form 17-C****(a) Exhibits**

See accompanying Index to Exhibits.

The following exhibits are filed as a separate section of this report

**(b) Reports on SEC Form 17-C**

Items reported under SEC Form 17-C during the last six months covered by this report:

Date of Disclosure	Subject
April 11, 2017	Results of Board Meeting held on 10 April 2017 Postponement of 2017 Annual Stockholders' Meeting
August 22, 2017	Change in Directors and/or Officers (Resignation/ Removal or Appointment/Election)
October 10, 2017	Results of Board Meeting held on 10 October 2017
October 30, 2017	Change in Stock Transfer Agent
December 21, 2017	Results of Annual Stockholders' Meeting held last 21 December 2017 Results of Organizational Meeting

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on March 1, 2018.

By:

MANOLITO A. MANALO *h*  
President

ROLANDO S. SANTOS  
Treasurer

DIANE MADELYN C. CHING  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this April 5 day of 2018 2018  
affiant(s) exhibiting to me his/their Driver's License, as follows:

NAMES	Driver's License no.	Expiry date
Manolito A. Manalo	195-562-309	
Rolando S. Santos	127-551-054	
Diane Madelyn C. Ching	201-507-466	

Notary Public

**ATTY. GERVASIO MARTINEZ, JR.**  
NOTARY PUBLIC FOR THE STATE OF CALIFORNIA  
1987-1990  
1991-1994  
1995-1998  
1999-2002  
2003-2006  
2007-2010  
2011-2014  
2015-2018  
2019-2022  
2023-2026  
2027-2030  
2031-2034  
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346

Doc. No. 204  
Page No. 40  
Book No. 16  
Series of 2018



# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 2 4 0 1

## COMPANY NAME

PRIME MEDIA HOLDINGS, INC. (A Subsidiary  
of RYM Business Management Corp.)

## PRINCIPAL OFFICE (No./Street/Borough/City/Town/Province)

16th Floor, Citibank Tower, 8741 Paseo  
de Roxas, Makati City

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, if Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

service@primemediaholdingsinc.com

Company's Telephone Number/s

(02) 831-4479

Mobile Number

-

No. of Stockholders

1,603

Annual Meeting (Month / Day)

3<sup>rd</sup> Tuesday of May

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Rolando S. Santos

Email Address

rolly.santos@marcventures.com.ph

Telephone Number/s

826-8609/856-7976

Mobile Number

0998-985-0229

## OFFICE ADDRESS

16th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.





PRIME MEDIA  
Holdings, Inc.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Prime Media Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 in 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 or members.

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders for the years ended **December 31, 2017 and 2016**, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature \_\_\_\_\_

**MANOLITO A. MANALO**  
Chairman and President of the Board

Signature \_\_\_\_\_

**ROLANDO S. SANTOS**  
Treasurer

Signed this 20 day of APRIL 2018



APR 30 2018



WASH DC

SUBSCRIBED AND SWORN to before me this 20 day of APR 20 2018  
affiant(s) exhibiting to their evidence of identity, as follows:

NAMES	Competent Evidence of Identity (TIN)	DATE OF ISSUE	PLACE OF ISSUE
Manolito A. Manalo	195-562-309		
Rolando S. Santos	127-551-054		

Doc. No. 48  
Page No. 11  
Book No. 11  
Series of 2018

**Notary Public**

~~ATTY GERVASIO SOSTER JR.  
NOTARY PUBLIC FOR MAKATI CITY  
UNIT 102, 2/F, 2017/64AAAT  
10TH FLOOR, PRIME MEMBER  
111, N. A. AVENUE, MALL 4009  
MCLE 111-4009, 111-4009-34  
UNIT 102, 2/F, 2017/64AAAT  
10TH FLOOR, PRIME MEMBER  
111, N. A. AVENUE, MALL 4009  
MCLE 111-4009, 111-4009-34~~

APR 30 2016

**NICK JULE B. TORRES**

*Certified Public Accountant*

CPA License No. 014784  
BIA Accreditation No. 8232

Unit 395 Pacific Century Tower,  
Quezon Avenue, South Triangle  
Quezon City 1106 Philippines  
**Phone** : +632 426 5245  
**Mobile** : +63 917 952 0901  
**E-mail** : nick.torres@pcph.com

**PRIME MEDIA HOLDINGS, INC.**  
*(A Subsidiary of RYM Business Management Corp.)*

**PRACTITIONER'S COMPILATION REPORT**  
**DECEMBER 31, 2017 and 2016**

APR 30 2018

# NICK JULE B. TORRES

*Certified Public Accountant*

CPA License No. 0141184  
BOA Accreditation No. 8238

Unit 305 Pacific Century Tower  
Quezon Avenue, South Triangle  
Quezon City 1106 Philippines  
Phone : +632 426 5245  
Mobile : +63 907 652 0901  
E-mail : nick.torres@tpco.ph

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT ON AN ENGAGEMENT TO COMPILE FINANCIAL STATEMENTS

The Board of Directors and Stockholders  
Prime Media Holdings, Inc.  
16th Floor, Citibank Tower  
8741 Paseo de Roxas  
Makati City

### Report on the Financial Statements

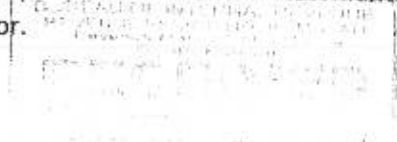
I have compiled the accompanying financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., which comprise the statement of financial position of as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

Based on the information provided by the management, I have applied my expertise in accounting and financial reporting to assist the Company in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information provided by the management for compilation. I have not conducted an audit nor a review of the accompanying financial statements. Accordingly, I do not express an audit opinion and provide any assurance, or a review conclusion on whether the financial statements are in accordance with the PFRS.

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

Management is responsible for the preparation and fair presentation of the financial statements, as well as the accuracy and completeness of the information, in accordance with 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.



APR 30 2018

# NICK JULE B. TORRES

*Certified Public Accountant*

CPA License No. 0141184  
BOA Accreditation No. 8238

Unit 305 Pacific Century Tower,  
Orizaba Avenue South Triangle  
Quezon City 1500 Philippines  
**Phone** : +632 426 5245  
**Mobile** : +63 917 852 0990  
**E-mail** : njbtorres@cpa.photon

## *Practitioner's Responsibility*

My responsibility is to perform this compilation engagement in accordance with Philippine Standards on Related Services 4410 (Revised) – *Compilation Engagements*, issued by Auditing Standards and Practices Council of the Philippines.

The objective of this compilation engagement is to assist the management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

## *Practitioner's Independence*

I am independent and had no direct financial interest with respect to the Company, in all material aspects of this compilation engagement during, the year ended December 31, 2017.

  
NICK JULE B. TORRES

Practitioner

CPA Certificate No. 0141184

Issued on July 12, 2015; valid until July 12, 2018

BOA Accreditation No. 8238

Issued on February 8, 2018; Valid until July 12, 2021

Tax Identification No. 273-144-666-0000

PTR No. 4457893

April 10, 2018



APR 30 2018





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Prime Media Holdings, Inc.  
16th Floor, Citibank Tower  
8741 Paseo de Roxas  
Makati City

### *Opinion*

We have audited the accompanying financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2017, 2016, and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017, 2016, and 2015 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 Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the 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.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements which indicates that the Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its previous development bank operation to BDO and PDIC. Thus, the Company has continued to incur losses resulting in a capital deficiency of ₱114.1 million and ₱85.7 million as at December 31, 2017 and 2016, respectively. These events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The actions being taken by the Company are also discussed in Note 1. Our opinion is not modified in respect of this matter.





### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as at and for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Stockholders' Commitment to Support the Company

The Company relies on its stockholders to sustain its operations and settle its liabilities. The ability of the Company to continue as a going concern depends primarily on the financial capacity and commitment of the stockholders. Hence, this is of significance to our audit. We reviewed management's disclosures on actions being taken by the stockholders and underlying documents. Further disclosures are included in Note 1 to the financial statements.

#### Estimated Liabilities

As discussed in Note 1, the Company has estimated liabilities primarily related to its previous development banking operations. This matter is of significance to our audit because it involves the use of estimates. We have reviewed the reasonableness of management's estimates. Further disclosures are included in Note 9, *Accrued Expenses and Other Current Liabilities*.

### *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 (Annual Report) and Annual Report distributed to stockholders for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report distributed to stockholders for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the 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 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 Financial Statements*

Management is responsible for the preparation of the financial statements in accordance with 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.



APR 10 2018





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

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

APR 30 2018





We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 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 Belinda B. Fernando.

REYES TACANDONG & Co.

*Belinda B. Fernando*

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1022-AR-2 Group A

Valid until March 15, 2020

BIR Accreditation No. 08-005144-004-2017

Valid until January 13, 2020

PTR No. 6607958

Issued January 3, 2018, Makati City

April 20, 2018

Makati City, Metro Manila

APR 30 2018





**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	P1,720,231	P2,701,963
Receivables	5	2,453,932	4,516,267
Due from related parties	13	12,420,000	40,000,000
Other current assets		208,359	808,905
Total Current Assets		16,802,522	48,027,135
<b>Noncurrent Assets</b>			
Investment properties	6	69,876,000	68,135,000
Available-for-sale (AFS) financial assets	7	300,000	240,000
Equipment	8	1,538,190	57,200
Total Noncurrent Assets		71,714,190	68,432,200
		P88,516,712	P116,459,335
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other current liabilities	9	P193,071,645	P193,160,882
<b>Noncurrent Liability</b>			
Deferred tax liability	12	9,556,800	9,034,500
Total Liabilities		202,628,445	202,195,382
<b>Capital Deficiency</b>			
Capital stock	10	714,664,876	714,664,876
Additional paid-in capital (APIC)		2,114,921,869	2,114,921,869
Deficit		(2,943,798,478)	(2,915,362,792)
Cumulative unrealized gain on AFS financial assets	7	100,000	40,000
Total Capital Deficiency		(114,111,733)	(85,736,047)
		P88,516,712	P116,459,335

See accompanying Notes to Financial Statements.



APR 30 2018



**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2017	2016	2015
<b>INCOME</b>				
Gain on fair value changes of investment properties	6	₱1,741,000	₱1,901,000	₱-
Rental	11	279,360	279,360	1,219,730
Recovery of accounts written-off	5	167,328	749,211	583,281
Interest income	4	13,474	44,054	208,813
		<b>2,201,162</b>	<b>2,973,625</b>	<b>2,011,824</b>
<b>EXPENSES</b>				
Management fee	13	23,092,784	23,092,784	23,092,784
Provision for impairment losses	5	2,126,335	-	-
Professional fees		1,799,004	2,907,299	2,514,319
Outside services		1,316,410	1,093,483	2,086,595
Taxes and licenses		459,978	654,931	1,840,613
Rent	11	186,699	272,783	1,246,714
Depreciation	8	96,010	17,160	11,440
Salaries and allowance		-	130,998	199,466
Others		1,028,394	484,302	1,682,444
		<b>30,105,614</b>	<b>28,653,740</b>	<b>32,674,375</b>
<b>LOSS BEFORE INCOME TAX</b>		<b>(27,904,452)</b>	<b>(25,680,115)</b>	<b>(30,662,551)</b>
<b>PROVISION FOR INCOME TAX</b>	12			
Current		8,934	20,571	36,060
Deferred		522,300	570,300	-
		<b>531,234</b>	<b>590,871</b>	<b>36,060</b>
<b>NET LOSS</b>		<b>(28,435,686)</b>	<b>(26,270,986)</b>	<b>30,698,611</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Item that will be reclassified to profit or loss</i>				
Unrealized gain (loss) on fair value changes of AFS financial assets	7	60,000	(10,000)	100,000
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(₱28,375,686)</b>	<b>(₱26,280,986)</b>	<b>(₱30,598,611)</b>
<b>Basic and Diluted Loss Per Share</b>	15	<b>(₱0.04)</b>	<b>(₱0.04)</b>	<b>(₱0.05)</b>

See accompanying Notes to Financial Statements.

APR 30 2018

**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2017	2016	2015
<b>CAPITAL STOCK</b>	10			
<b>Common stock - P1 par value</b>				
Balance at beginning of year		P700,298,616	P698,930,906	P698,930,906
Conversion of preferred to common stock		-	1,367,710	-
Balance at end of year		700,298,616	700,298,616	698,930,906
<b>Preferred stock - P1 par value</b>				
Balance at beginning of year		14,366,260	48,559,000	48,559,000
Conversion of preferred to common stock		-	(34,192,740)	-
Balance at end of year		14,366,260	14,366,260	48,559,000
		714,664,876	714,664,876	747,489,906
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year		2,114,921,869	2,082,096,839	2,082,096,839
Conversion of preferred to common stock		-	32,825,030	-
Balance at end of year		2,114,921,869	2,114,921,869	2,082,096,839
<b>DEFICIT</b>				
Balance at beginning of year		(2,915,362,792)	(2,889,091,806)	(2,858,393,195)
Net loss		(28,435,686)	(26,270,986)	(30,698,611)
Balance at end of year		(2,943,798,478)	(2,915,362,792)	(2,889,091,806)
<b>CUMULATIVE UNREALIZED GAIN ON AFS FINANCIAL ASSETS</b>	7			
Balance at beginning of year		40,000	50,000	(50,000)
Unrealized gain (loss) on fair value changes		60,000	(10,000)	100,000
Balance at end of year		100,000	40,000	50,000
		(P114,111,733)	(P85,736,047)	(P59,455,061)

See accompanying Notes to Financial Statements.



APR 30 2018

**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax		(P27,904,452)	(P25,680,115)	(P30,662,551)
Adjustments for:				
Gain on fair value changes of investment properties	6	(1,741,000)	(1,901,000)	-
Depreciation	8	96,010	17,160	11,440
Interest income	4	(13,474)	(44,054)	(208,813)
Operating loss before working capital changes		(29,562,916)	(27,608,009)	(30,859,924)
Decrease (increase) in:				
Receivables		2,062,335	(131,400)	265,254
Due from related parties		27,580,000	(40,000,000)	-
Other current assets		600,546	21,074	(32,864)
Decrease in accrued expenses and other current liabilities		(89,237)	(2,828,203)	(6,288,313)
Net cash generated from (used for) operations		590,728	(70,546,538)	(36,915,847)
Interest received		13,474	44,054	208,813
Income tax paid		(8,934)	(20,571)	(36,060)
Net cash provided by (used in) operating activities		595,268	(70,523,055)	(36,743,094)
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>				
Acquisition of equipment	8	(1,577,000)	-	(85,800)
<b>NET DECREASE IN CASH</b>				
		(981,732)	(70,523,055)	(36,828,894)
<b>CASH AT BEGINNING OF YEAR</b>				
		2,701,963	73,225,018	110,053,912
<b>CASH AT END OF YEAR</b>				
		P1,720,231	P2,701,963	P73,225,018

See accompanying Notes to Financial Statements.



APR 30 2018

**PRIME MEDIA HOLDINGS, INC.**  
**(A Subsidiary of RYM Business Management Corp.)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2017 and 2016, 663,713,458 Company shares are publicly listed.

The Company is a subsidiary of RYM Business Management Corp. (the Parent Company), a holding company registered and domiciled in the Philippines.

On September 12, 2002, the Company agreed to transfer assets and liabilities arising from its development bank operations to Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2017 and 2016, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

The financial statements of the Company as at December 31, 2017 and 2016 and for the three years ended December 31, 2017, 2016 and 2015 were approved and authorized for issuance by the Board of Directors (BOD) on April 20, 2018.

**Status of Operations**

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its previous development bank operations to BDO and PDIC. Thus, the Company has continued to incur losses resulting in a capital deficiency of ₱114.1 million and ₱85.7 million as at December 31, 2017 and 2016, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of ₱34.2 million into common stock in 2016, converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregating ₱179.0 million in 2014 and 2013 to reduce the capital deficiency. On December 1, 2017, the Company submitted an application to the SEC for the Company's equity restructuring to reduce the capital deficiency.

On March 23, 2018, the SEC approved the Company's equity restructuring to reduce its deficit as at December 31, 2016 from ₱2,915.4 million to ₱800.5 million by applying its APIC amounting to ₱2,114.9 million.



PRIME MEDIA HOLDINGS, INC.

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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation**

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee.

### **Measurement Bases**

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All values represent absolute amounts except otherwise stated.

The financial statements have been prepared on a historical cost basis, except for its investment properties and AFS financial assets which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 transaction date. 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 use of unobservable inputs.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

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

For the purpose of fair value disclosures, the Company 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.

Further information about the assumptions made in measuring fair values is included in Notes 6, 7 and 16.



#### **Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures have been included in the notes to financial statements, as applicable.

#### **New and Amended PFRS in Issue But Not Yet Effective**

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

Effective for annual periods beginning on or after January 1, 2019 -

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

#### **Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting.

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

*"Day 1" Difference.* Where the transaction 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of profit or loss. In cases where there is no observable data on inception, the Company deemed the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at December 31, 2017 and 2016, the Company does not have financial assets and liabilities at FVPL and HTM investments.

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets is subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the statements of comprehensive income and in the equity section of the statements of financial position. These changes in fair value are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

As at December 31, 2017 and 2016, the Company classified its proprietary membership share as AFS financial assets.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

As at December 31, 2017 and 2016, this category includes cash, receivables (excluding advances to officers, employees and service providers) and due from related parties.

*Other Financial Liabilities at Amortized Cost.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

As at December 31, 2017 and 2016, this category includes accrued expenses and other current liabilities (excluding statutory payables).

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset and the net amount reported in the 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statements of financial position.

### **Impairment of Financial Assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

*Loans and Receivable.* The Company assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the statements of changes in equity.



### **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 by the Company when:

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

When the Company has transferred its right 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 Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or 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 the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

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

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

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

### **Other Current Assets**

Other current assets mainly consist of prepayments which represent expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than twelve months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.



### **Investment Properties**

Investment properties, accounted for under the fair value model, are property held either to earn rentals or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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 Company accounts for such property in accordance with the policy on property, plant and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

### **Equipment**

Equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of computer equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of equipment. The cost of replacing a component of an item of equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the equipment of 5 years.

The estimated useful lives and method for depreciation are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

#### **Impairment of Nonfinancial Assets**

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, nonfinancial assets are written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

#### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued.

*APIC.* Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC. Incremental costs directly attributable to the issuance of new shares are treated as deduction from APIC.

*Deficit.* Deficit represents the cumulative balance of the Company's results of operations net dividends declared, if any.

#### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

*Rental.* Rental income is recognized using the straight-line method over the term of the lease.

*Interest Income.* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

*Recovery of Accounts Written-off and Other Income.* Income from other sources is recognized when the amount is actually received.

#### **Expense Recognition**

Expenses constitute cost of administering the business. These costs are expensed upon receipt of goods, utilization of services, or when the expense is incurred.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date whether the fulfilment 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 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 fulfilment is dependent on a specified asset;  
or
- d. there is a substantial change to the asset.

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

*Operating Lease - Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

*Operating Lease - Company as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Value Added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current asset" account in the statements of financial position.

#### **Loss Per Share**

Basic loss per share is computed by dividing net loss for the year attributable to common stockholders by the weighted average number of common stock outstanding during the year, with retroactive adjustments for any stock dividends declared or stock split.

Diluted loss per share is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the loss per share effect of potential dilutive common stock would be anti-dilutive, basic and diluted loss per share are stated at the same amount.

#### **Segment Reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. The Company has only one segment as holding company.

#### **Related Parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.



### **Provisions**

Provisions are recognized when the Company 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.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

### **Contingencies**

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

### **Events after the Reporting Date**

Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

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## **3. Significant Judgment, Accounting Estimates and Assumptions**

The preparation of financial statements in accordance with PFRS requires management to make judgment, estimates and assumptions that affect the amounts reported in the financial statements. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Judgment**

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements.

*Assessing the Company's Ability to Continue as a Going Concern.* The Company has incurred continuous losses resulting in a capital deficiency of ₱114.1 million and ₱85.7 million as at December 31, 2017 and 2016, respectively. Management believes this trend to continue for the twelve months after reporting date. As discussed in Note 1, the stockholders provide continuing necessary financial support to the Company while new business opportunities are not yet available. Based on this, the financial statements are prepared on a going concern basis of accounting.



*Classifying Financial Instruments.* The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company classified its proprietary membership shares as an AFS financial assets (see Note 7).

*Accounting for Lease Commitments - Company as a Lessor.* Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Company. Lease contracts where the Company retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Company, as a lessor, has entered into property subleases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱0.3 million, ₱0.3 million, ₱1.2 million and in 2017, 2016 and 2015, respectively (see Note 11).

*Accounting for Lease Commitments - Company as a Lessee.* The Company, as a lessee, has various operating lease agreements. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to ₱0.2 million, ₱0.3 million and ₱1.2 million in 2017, 2016 and 2015, respectively (see Note 11).

*Classifying Investment Properties and Owner-Occupied Properties.* The Company determines whether a property qualifies as investment property. In making its judgment, the Company 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 the 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 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 investment property. The Company considers each property separately in making its judgment.

The carrying amount of investment properties amounted to ₱69.9 million and ₱68.1 million as at December 31, 2017 and 2016, respectively (see Note 6).

*Evaluating Contingencies.* The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that eventual liabilities under these lawsuits or claims, if any, will not have a material effect of the Company's financial statements.

### **Estimates and Assumptions**

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Estimating Liabilities Related to Previous Development Bank Operations.* The estimated liabilities related to previous development bank operations of the Company is based on the management's best estimate of the amount expected to be incurred to settle the obligation.

The liabilities arising from the MOA amounted to ₱171.1 million as at December 31, 2017 and 2016 (see Note 9).

*Estimating Impairment Losses on Receivables and Due from Related Parties.* The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

Impairment losses on receivables amounted to ₱2.1 million in 2017. Allowance for impairment losses amounted ₱62.4 million and ₱60.3 million as at December 31, 2017 and 2016, respectively. The carrying amount of receivables amounted to ₱2.5 million and ₱4.5 million as at December 31, 2017 and 2016, respectively (see Note 5).

*Determining Fair Value of Investment Properties.* The Company engaged an independent appraiser to determine the fair value of its investment properties. In 2017 and 2016, the fair value of investment properties was based on the valuation performed on March 1, 2018 and April 3, 2017, respectively. Management evaluated that the fair value of investment property determined on appraisal date approximates the fair value as at reporting date since there were no significant changes in the condition of the property and economic environment between those dates. The fair value was determined using the market data approach in 2017 and 2016. Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Further information about the assumptions made in measuring fair value of investment properties are discussed in Notes 6 and 16.

Gain on fair value changes which was recognized in the statements of comprehensive income amounted to ₱1.7 million and ₱1.9 million in 2017 and 2016, respectively. The carrying value of investment properties amounted to ₱69.9 million and ₱68.1 million as at December 31, 2017 and 2016, respectively (see Note 6).

*Assessing Impairment of Nonfinancial Assets.* The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

No impairment losses were recognized in 2017, 2016 and 2015.

The carrying amount of the Company's nonfinancial assets are as follows:

	Note	2017	2016
Investment properties	6	₱69,876,000	₱68,135,000
Equipment	8	1,538,190	57,200
Other current assets		208,359	808,905

*Assessing impairment of AFS Financial Assets.* The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted instruments and the future cash flows and the discount factors for unquoted instruments.

No impairment losses were recognized in 2017, 2016 and 2015. The carrying amount of AFS financial assets amounted to ₱0.3 million and ₱0.2 million as at December 31, 2017 and 2016 (see Note 7).

*Assessing Realizability of Deferred Tax Assets.* The Company reviews its deferred tax assets at each reporting date 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.

The Company's unrecognized deferred tax assets amounted to ₱44.6 million and ₱36.2 million as at December 31, 2017 and 2016, respectively. Management believes that there will be no sufficient future taxable profits against which these deferred tax assets can be utilized (see Note 12).

#### 4. Cash

This account consists of:

	2017	2016
Cash on hand	₱5,277	₱5,277
Cash in banks	1,714,954	2,696,686
	₱1,720,231	₱2,701,963

Cash in banks earn interest at prevailing bank deposit rates. Interest income from cash in banks amounted to ₱13,474, ₱44,054 and ₱208,813 in 2017, 2016 and 2015, respectively.

## 5. Receivables

This account consists of:

	Note	2017	2016
Loans receivable		<b>₱62,277,740</b>	₱62,277,740
Advances to officers, employees and service providers		<b>2,126,335</b>	2,134,335
Rent receivable	11	<b>453,932</b>	381,932
		<b>64,858,007</b>	64,794,007
Less allowance for impairment losses		<b>62,404,075</b>	60,277,740
		<b>₱2,453,932</b>	₱4,516,267

Loans receivable are related to the Company's previous bank operations. The unimpaired balance of loans receivable amounting to ₱2.0 million is left under an escrow fund as at December 31, 2017 and 2016.

Advances to officers, employees and service providers represent unliquidated, noninterest-bearing advances for processing of the transfer of title of properties to PDIC and BDO. These are liquidated upon the accomplishment of the purposes for which the advances were granted.

Movements in allowance for impairment losses are as follows:

	2017		
	Advances to officers, employees and service providers		
	Loans receivable	Rent receivable	Total
Balance at beginning of year	<b>₱60,277,740</b>	₱-	<b>₱60,277,740</b>
Provision	-	<b>2,126,335</b>	<b>2,126,335</b>
Balance at end of year	<b>₱60,277,740</b>	<b>₱2,126,335</b>	<b>₱62,404,075</b>

No impairment loss was recognized in 2016 and 2015.

The Company recovered some accounts written-off in prior years amounting to ₱0.2 million, ₱0.7 million and ₱0.6 million in 2017, 2016 and 2015, respectively.

## 6. Investment Properties

Movements in this account are as follows:

	2017	2016
<b>Cost</b>	<b>₱38,020,000</b>	₱38,020,000
<b>Movement on fair value changes:</b>		
Balance at beginning of year	<b>30,115,000</b>	28,214,000
Gain on fair value change	<b>1,741,000</b>	1,901,000
Balance at end of year	<b>31,856,000</b>	30,115,000
	<b>₱69,876,000</b>	₱68,135,000

This account represents parcels of commercial land located in Legazpi City, Albay, which are held for capital appreciation.

The fair values of the investment properties as at December 31, 2017 and 2016 are based on valuations performed by accredited independent appraiser. The appraised value of the investment properties were arrived at using the market data approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others.

#### **Market Data Approach**

<u>Significant Unobservable Inputs</u>	<u>2017</u>	<u>2016</u>
Price per square meter	₱20,000-₱22,857	₱35,000-₱40,000
Value adjustments	-5% to 75%	-5% to 40%

The significant unobservable inputs to fair valuation are as follows:

*Price per Square Meter:* estimated value prevailing in the real estate market depending on the location, area, shape and time element.

*Value Adjustments:* adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element

*Sensitivity Analysis.* The factors considered in determining the fair value of the property are the (a) location of the property with reference to quality neighborhood, (b) size, (c) physical characteristics such as shape, topography and road frontage; and (d) time element.

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#### **7. AFS Financial Assets**

The Company's AFS financial assets consist of a club share in Valley Golf & Country Club. The fair value of the club share is determined by reference to published price quotations in an active market.



Movements in this account are as follows:

	2017	2016
<b>Cost</b>	<b>P200,000</b>	<b>P200,000</b>
<b>Unrealized gain (loss) on fair value changes</b>		
Balance at beginning of year	40,000	50,000
Fair value change	60,000	(10,000)
Balance at end of year	100,000	40,000
	<b>P300,000</b>	<b>P240,000</b>

## 8. Equipment

Movements in this account are as follows:

	2017		
	Computer Equipment	Transportation Equipment	Total
<b>Cost</b>			
Balance at beginning of year	P85,800	P-	P85,800
Additions	-	1,577,000	1,577,000
Balance at end of year	85,800	1,577,000	1,662,800
<b>Accumulated Depreciation</b>			
Balance at beginning of year	28,600	-	28,600
Depreciation	17,160	78,850	96,010
Balance at end of year	45,760	78,850	124,610
<b>Net Carrying Amount</b>	<b>P40,040</b>	<b>P1,498,150</b>	<b>P1,538,190</b>

	2016
	Computer Equipment
<b>Cost</b>	
Balance at beginning and end of year	P85,800
<b>Accumulated Depreciation</b>	
Balance at beginning of year	11,440
Depreciation	17,160
Balance at end of year	28,600
<b>Net Carrying Amount</b>	<b>P57,200</b>

## 9. Accrued Expenses and Other Current Liabilities

This account consists of:

	2017	2016
Liabilities arising from the MOA	<b>P171,104,972</b>	P171,109,292
Dividends payable	<b>10,985,443</b>	10,985,443
Rental deposits	<b>5,972,642</b>	5,972,642
Accrued expenses	<b>1,763,356</b>	1,868,469
Others	<b>3,245,232</b>	3,225,036
	<b>P193,071,645</b>	P193,160,882

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets from its development bank operations to BDO/PDIC and other related liabilities, primarily from unremitted collection of assigned receivables and sale of foreclosed properties for the account of PDIC (see Note 1). This account also includes provision for probable losses to cover estimated losses from claims. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, certain information is not disclosed until final settlement as it might prejudice the Company's position on the matter.

Dividends payable pertains to the Company's dividend for cumulative, nonparticipating, nonvoting, redeemable and convertible preferred stock that were declared prior to the Company's incurrence of deficit.

Rental deposits represent long-outstanding rental deposits that have not been claimed by the Company's previous tenants.

Accrued expenses pertain to accrual of outside services, professional fees and association dues, among others. These are normally settled in the next financial year.

Others include statutory payables and refunds of tenants related to the Company's previous operations. These are noninterest-bearing, unsecured and are normally settled in the next financial year or upon demand.

## 10. Capital Stock

The movement in this account are as follows:

	2017		2016		2015	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Common stock - P1 par value						
Authorized:	3,000,000,000	P3,000,000,000	3,000,000,000	P3,000,000,000	3,000,000,000	P3,000,000,000
Subscribed:						
Balance at beginning of year	700,298,616	700,298,616	698,930,906	698,930,906	698,930,906	698,930,906
Conversion of preferred to common stock	-	-	1,367,710	1,367,710	-	-
Balance at end of year	700,298,616	P700,298,616	700,298,616	P700,298,616	698,930,906	P698,930,906

	2017		2016		2015	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Preferred stock - ₱1 par value</b>						
Authorized	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Issued and outstanding:						
Balance at beginning of year	14,366,260	14,366,260	48,559,000	48,559,000	48,559,000	48,559,000
Conversion of preferred to common stock	-	-	(34,192,740)	(34,192,740)	-	-
Balance at end of year	14,366,260	14,366,260	14,366,260	14,366,260	48,559,000	48,559,000
	714,664,876	₱714,664,876	714,664,876	₱714,664,876	747,489,906	₱747,489,906

The preferred stock has the following salient features:

- Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.
- Cash dividend rate initially at 4.50% per annum based on par value, which shall be automatically adjusted to 9.00% per annum upon full payment of the subscription price.
- The Company may, at any time at its option, wholly or partially redeem the outstanding preferred stock plus accrued dividends thereon. When such call for redemption is made, the holders of the preferred stock may opt to convert the preferred stock to common stock.

On October 10, 2001, the BOD approved an option to stockholders of preferred shares of extending the maturity of shares for another five years for a 2% additional dividend on the 9% regular dividend.

## 11. Leases

- The Company entered into cancellable lease agreements for a period ranging from one to thirteen years renewable upon mutual agreement of the parties and subleased the properties under the same terms. One of the leased and subleased properties that commenced on January 16, 2003 was cancelled on August 31, 2015.
- On April 1, 2015, the Company entered into a cancellable lease agreement with Bright Kindle Resources & Investments, Inc. for its office space for a period of nine months up to December 31, 2015.

Rent income amounted to ₱0.3 million, ₱0.3 million and ₱1.2 million in 2017, 2016 and 2015, respectively. Rent receivable amounted to ₱0.5 million and ₱0.4 million as at December 31, 2017 and 2016, respectively (see Note 5).

Related rent expense amounted to ₱0.2 million, ₱0.3 million and ₱1.2 million in 2017, 2016 and 2015, respectively.

## 12. Income Tax

The provision for current income tax represents MCIT in 2017, 2016 and 2015.

The reconciliation of provision for income tax at the statutory income tax rate to the provision for income tax shown in the statements of comprehensive income follows:

	2017	2016	2015
Income tax computed at statutory tax rate	(P8,371,336)	(P7,704,035)	(P9,198,765)
Movement in unrecognized deferred tax assets	8,429,944	8,308,122	9,297,469
Tax effects of:			
Expired NOLCO and MCIT	474,258	—	—
Interest income already subjected to final tax	(4,042)	(13,216)	(62,644)
Nondeductible expense	2,410	—	—
	P531,234	P590,871	P36,060

The Company did not recognize deferred tax assets on the following temporary differences since the management believes that it may not be probable that future taxable profits will be available to allow utilization of the following tax benefits:

	2017	2016
NOLCO	P25,806,327	P17,944,832
Allowance for impairment losses on receivables	18,721,223	18,083,322
MCIT	65,565	135,017
	P44,593,115	P36,163,171

The deferred tax liability as at December 31, 2017 and 2016 pertains to the gain on fair value changes of investment properties amounting to P9.6 million and P9.0 million as at December 31, 2017 and 2016, respectively.

As at December 31, 2017, unused NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Expiry Date	Amount	Expired	Balance
2017	2020	P27,524,558	P—	P27,524,558
2016	2019	27,625,169	—	27,625,169
2015	2018	30,871,364	—	30,871,364
2014	2017	1,319,575	1,319,575	—
		P87,340,666	P1,319,575	P86,021,091

As at December 31, 2017, unused MCIT that can be claimed as deduction from future taxable liability are as follows:

Year Incurred	Expiry Date	Amount	Expired	Balance
2017	2020	P8,934	P-	P8,934
2016	2019	20,571	-	20,571
2015	2018	36,060	-	36,060
2014	2017	78,386	78,386	-
		P143,951	P78,386	P65,565

### 13. Related Party Transactions

Outstanding balances and transaction with related parties are as follows:

#### Parent Company and Other Related Party

	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2017	2016	2017	2016
<b>Due from related parties</b>					
Parent Company	Advances	₱20,000,000	₱40,000,000	₱6,120,000	₱40,000,000
Entity under common control	Advances	12,300,000	—	6,300,000	—
				₱12,420,000	₱40,000,000

#### **Nontrade**

Parent Company	Management fee	P23,092,784	P23,092,784	P-	P-
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Outstanding balances are unsecured, noninterest-bearing, payable on demand and settlement occurs in cash. The Company has not made any provision for impairment losses relating to the amounts owed by related parties. This assessment is undertaken at each reporting date by taking into consideration the financial position of the related party and the market at which the related party operates.

On December 22, 2015, the Company entered into a management agreement with the Parent Company to oversee and supervise the Company's business matters until December 31, 2017.

#### Key Management Personnel

The Company has no key management personnel. Its accounting and administrative functions are provided by a related party at no cost to the Company.

### 14. Commitments and Contingencies

- In the normal course of the Company's prior operations, there are outstanding commitments, pending litigations and contingent liabilities which are not reflected in the financial statements. The Company does not anticipate significant losses as a result of these transactions.



- b. As discussed in Note 1, under the MOA dated September 12, 2002 between the Company and BDO/PDIC, the Company agreed to transfer its assets and liabilities from its development banking operations. The Company agreed to hold BDO free from any contingent claims, labor and minority issues and concerns arising from related assets and liabilities still managed by the Company until these are assumed by BDO. Further, the Company agreed to indemnify BDO against losses, claims and damages BDO may suffer in the event such contingent claims, labor and minority issues affect BDO's rights under the MOA.

The Company has accounted for separately, assets from its development banking operation pursuant to the MOA. It still has in its possession titles of real estate properties from its development banking operations with an aggregate fair value of ₱527.8 million and ₱542.4 million as at December 31, 2017 and 2016, respectively. Moreover, the Company has cash of ₱13.9 million as at December 31, 2017 arising from the proceeds of sale of a property.

- c. The Company is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from these will not materially affect the Company's financial position and results of operations.

## 15. Loss Per Share

The basic and diluted loss per share were computed as follows:

	2017	2016	2015
Net loss	(₱28,435,686)	(₱26,270,986)	(₱30,698,611)
Less dividend rights of preferred stockholders for the year	1,581,671	1,581,671	5,346,164
Loss attributable to common stockholders	(₱30,017,357)	(27,852,657)	(36,044,775)
Divided by weighted average number of common stock	700,298,616	699,728,737	698,930,906
Loss per share - basic and diluted	(₱0.04)	(₱0.04)	(₱0.05)

The conversion feature of the Company's preferred stock has potential antidilutive effect (i.e., it decreases loss per share). Therefore, diluted loss per share is equal to basic loss per share.

## 16. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, receivables (excluding advances to officers, employees and service providers), due from related parties, AFS financial assets, accrued expenses and other current liabilities (excluding statutory payables).

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

### Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and receivables (excluding advances to officers, employees and service providers) and due from related parties. The carrying amount of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

The aging analyses of financial assets as at December 31, 2017 and 2016 are as follows:

	2017				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	P1,714,954	P—	P—	P—	P1,714,954
Receivables*	2,453,932	—	—	60,277,740	62,731,672
Due from related parties	12,420,000	—	—	—	12,420,000
AFS financial assets	300,000	—	—	—	300,000
	P16,888,886	P—	P—	P60,277,740	P77,166,626

\*Excluding advances to officers, employees and service providers amounting to P2.1 million.

	2016				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	P2,696,686	P—	P—	P—	P2,696,686
Receivables*	2,381,932	—	—	60,277,740	62,659,672
Due from related parties	40,000,000	—	—	—	40,000,000
AFS financial assets	240,000	—	—	—	240,000
	P45,318,618	P—	P—	P60,277,740	P105,596,358

\*Excluding advances to officers, employees and service providers amounting to P2.1 million.

**Credit Quality of Financial Assets.** The credit quality of the Company's financial assets are being managed by using internal credit ratings such as high grade and standard grade.

High grade - pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal.

Standard grade - include financial assets that are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty.

The Company has assessed the credit quality of financial assets that are neither past due nor impaired as high grade.

Receivables are classified as substandard grade since these are receivables from third parties. The Company assessed these receivables as uncollectible and provided allowance for impairment losses amounting to P60.3 million as at December 31, 2017 and 2016.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its cash receipts and disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

As at December 31, 2017 and 2016, accrued expenses and other current liabilities (excluding statutory payables) amounting to ₱193.1 million and ₱193.2 million, respectively, are generally due and demandable.

#### **Fair Values**

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and the corresponding fair value hierarchy:

	2017		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	₱1,720,231	₱1,720,231	₱2,701,963	₱2,701,963
Receivables*	2,453,932	2,453,932	2,381,932	2,381,932
Due from related parties	12,420,000	12,420,000	40,000,000	40,000,000
AFS financial assets	300,000	300,000	240,000	240,000
	₱16,894,163	₱16,894,163	₱45,323,895	₱45,323,895
<b>Nonfinancial Asset</b>				
Investment properties	₱69,876,000	₱69,876,000	₱68,135,000	₱68,135,000
<b>Financial Liabilities</b>				
Accrued expenses and other current liabilities**	₱193,051,236	₱193,051,236	₱193,154,189	₱193,154,189

\*Excluding advances to officers, employees and service providers.

\*\*Excluding statutory payables.

**Current Financial Assets and Liabilities.** The carrying amounts of cash, receivables (excluding advances from officers, employees and service providers), due from related parties and accrued expenses and other current liabilities (excluding statutory payables) approximate their fair values due to the short-term nature and maturities of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (Significant unobservable inputs).

**AFS Investment.** The fair value of this financial asset is determined by reference to quoted market bid prices at the close of business at the reporting date. The fair value measurement of AFS investment is classified as Level 1 (Quoted in an active market).

**Investment Properties.** The fair value of investment properties is determined based on valuations performed by accredited independent appraiser. The appraised value of the investment properties were arrived at using the market data approach. The fair value measurement of investment properties is classified as Level 3 (Significant unobservable inputs).

#### **Capital Management**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue its operations as a going concern and to maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders, or issue new stock. No changes were made in the objectives, policies or processes for the years ended December 31, 2017, 2016 and 2015.



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Prime Media Holdings, Inc.  
16th Floor, Citibank Tower  
8741 Paseo de Roxas  
Makati City

We have audited the accompanying financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., as at and for the year ended December 31, 2017 on which we have rendered our report dated April 20, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 1,248 common stockholders and 265 preferred stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & Co.**

*Belinda B. Fernando*

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BDO Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1022-AR-2 Group A

Valid until March 15, 2020

BIR Accreditation No. 08-005144-004-2017

Valid until January 13, 2020

PTR No. 6607958

Issued January 3, 2018, Makati City

April 20, 2018

Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Prime Media Holdings, Inc.  
16th Floor, Citibank Tower  
8741 Paseo de Roxas  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., as at and for the year then ended December 31, 2017 included in this Form 17-A and have issued our report thereon dated April 20, 2018. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2017 are the responsibility of the Company's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Ratios
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules required by Part II of SRC Rule 68, as amended

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, and are not part of the financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

**REYES TACANDONG & Co.**

*Belinda B. Fernando*

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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Valid until March 15, 2020

BIR Accreditation No. 08-005144-004-2017

Valid until January 13, 2020

PTR No. 6607958

Issued January 3, 2018, Makati City

April 20, 2018

Makati City, Metro Manila





**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2017**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRS Practice Statement Management Commentary			✓

**Philippine Financial Reporting Standards (PFRS)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
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			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓

**Philippine Accounting Standards (PAS)**

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	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 11	Construction Contracts			✓
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	Title	Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
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	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to 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 PAS 28: Investment Entities: Applying the Consolidation Exception			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
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			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		



PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

#### Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	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 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - 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 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		

**PHILIPPINE INTERPRETATIONS - SIC**

Interpretations	Title	Adopted	Not Adopted	Not Applicable
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-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**FINANCIAL RATIOS**  
**DECEMBER 31, 2017**

Below is a schedule showing financial soundness indicators for the year ended December 31, 2017 and 2016:

	2017	2016
<b>Current/Liquidity Ratio</b>	0.09	0.25
Current assets	P16,802,522	P48,027,135
Current liabilities	193,071,645	193,160,882
<b>Solvency Ratio</b>	(0.14)	(0.13)
Loss before income tax, depreciation, and amortization	(27,808,442)	(25,662,955)
Total liabilities (excluding deferred tax liability)	193,071,645	193,160,882
<b>Debt-to-equity Ratio</b>	(1.69)	(2.25)
Total liabilities (excluding deferred tax liability)	193,071,645	193,160,882
Total equity	(114,111,733)	(85,736,047)
<b>Asset-to-equity Ratio</b>	(0.78)	(1.36)
Total assets	88,516,712	116,459,335
Total equity	(114,111,733)	(85,736,047)
<b>Interest rate coverage Ratio</b>	-	-
Pretax income before interest	(27,904,452)	(25,680,115)
Interest expense	-	-
<b>Profitability Ratio</b>	-	-
Net loss	(28,435,686)	(26,270,986)
Capital deficiency	(114,111,733)	(85,736,047)

**PRIME MEDIA HOLDINGS, INC.**  
**(A Subsidiary of RYM Business Management Corp.)**  
**SUPPLEMENTARY SCHEDULE OF COMPANY'S**  
**RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2017**

	Amount
Unappropriated retained earnings (deficit) as shown in the financial statements at beginning of year	(P2,915,362,792)
Cumulative gain on fair value changes of investment properties	(30,115,000)
Deferred tax liability at beginning of year	9,034,500
Unappropriated retained earnings (deficit) as adjusted to available for dividend declaration at beginning of year	(2,936,443,292)
Net loss during the year closed to retained earnings	(28,435,686)
Gain on fair value changes of investment properties	(1,741,000)
Movement in deferred tax liabilities	522,300
Total retained earnings (deficit) available for dividend declaration at end of year	(P2,966,097,678)

**Reconciliation:**

	Amount
Unappropriated retained earnings (deficit) as shown in the financial statements at end of year	(P2,943,798,478)
Cumulative gain on fair value changes of investment properties	(31,856,000)
Deferred tax liability at end of year	9,556,800
Total retained earnings (deficit) available for dividend declaration at end of year	(P2,966,097,678)

**PRIME MEDIA HOLDINGS, INC.**  
**(A Subsidiary of RYM Business Management Corp.)**

**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR.**  
**6 PART II OF SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2017**

**Table of Contents**

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Indebtedness to Related Parties	<u>N/A</u>
D	Guarantees of Securities of Other Issuers	<u>N/A</u>
E	Capital Stock	<u>2</u>
F	Conglomerate Map	<u>3</u>



Schedule A. Financial Assets  
December 31, 2017

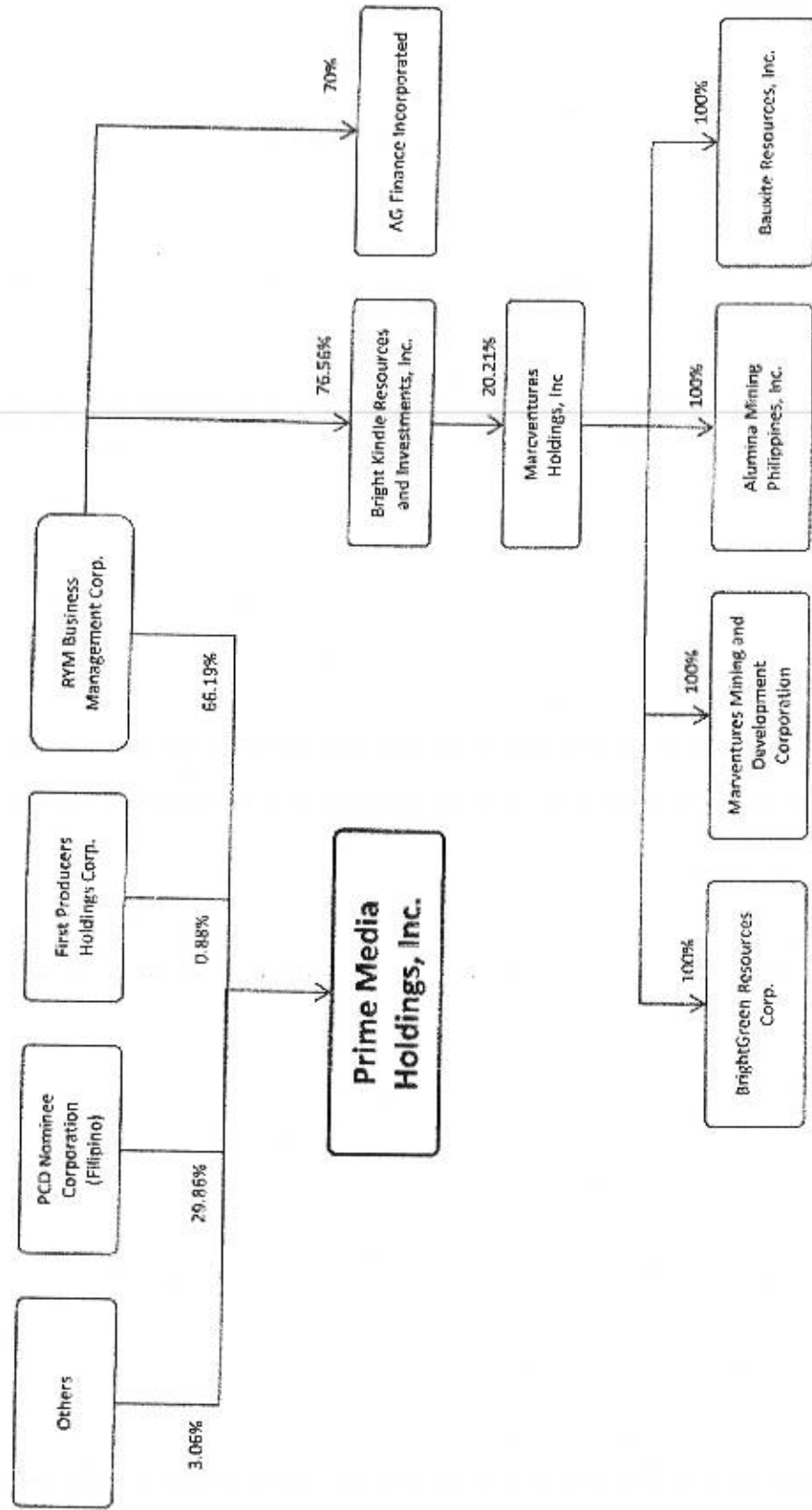
Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end reporting period	Income received and accrued
<b>RYM Business</b>				
Management Corp.	N/A	P6,120,000	N/A	P-
Marcventures Mining and Development Corp.	N/A	5,000,000	N/A	-
Mairete Holdings Corporation	N/A	800,000	N/A	-
Strong Mighty Steel, Inc.	N/A	500,000	N/A	-
		<b>P12,420,000</b>		<b>P-</b>

Schedule E. Capital Stock  
December 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet 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 Stock	3,000,000,000	700,298,616	-	498,555,085	97,178,901	104,563,624
Preferred Stock	2,000,000,000	14,366,260	-	-	-	-
	5,000,000,000	714,664,876	-	498,555,085	97,179,901	104,563,624

Schedule F. Conglomerate Map  
December 31, 2017

- 3 -





108132018003838

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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**Company Information**

**SEC Registration No.** 0000022401  
**Company Name** PRIME MEDIA HOLDINGS INC.  
**Industry Classification** FINANCING COMPANY OPERATIONS  
**Company Type** Stock Corporation

**Document Information**

**Document ID** 108132018003838  
**Document Type** 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
**Document Code** 17-Q  
**Period Covered** June 30, 2018  
**No. of Days Late** 0  
**Department** CFD  
**Remarks**

# COVER SHEET

2 2 4 0 1

S.E.C. Registration Number

P R I M E M E D I A H O L D I N G S , I N C .  
( f o r m e r l y F i r s t e - B a n k C o r p . )

(Company's Full Name)

1 6 t h F l o o r C i t i b a n k T o w e r ,  
8 7 4 1 P a s e o d e R o x a s ,  
M a k a t i C i t y

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC 17-Q

FORM TYPE

Month

Day

Annual Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this  
Doc.

Amended Articles  
Number/Section

Total Amount of Borrowings

1,600

Total No. of  
Stockholders

nil

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes



**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 JUNE 30, 2018
2. Commission identification number 22401
3. BIR Tax Identification No. 000-491-007
4. Exact name of issuer as specified in its charter PRIME MEDIA HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization METRO MANILA
6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code  
16<sup>TH</sup> FLOOR CITIBANK TOWER, 8741 PASEO DE ROXAS MAKATI CITY 1226

8. Issuer's telephone number, including area code 831-4479

9. 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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock, P1 par value	700,298,616
Preferred Stock, P1 par value	14,366,260

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

Philippine Stock Exchange

Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

## Table of Contents

PART I – FINANCIAL INFORMATION.....	3
Item 1. Financial Statements.....	3
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation.....	4
FINANCIAL CONDITION AND RESULTS OF OPERATION.....	4
STATEMENTS OF FINANCIAL POSITION.....	6
STATEMENTS OF CASH FLOWS.....	6
HORIZONTAL AND VERTICAL ANALYSIS.....	7
FINANCIAL INDICATORS .....	8
PART II - OTHER INFORMATION.....	9
PART III - FINANCIAL SOUNDNESS INDICATORS.....	9
SIGNATURES.....	10

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The Unaudited Financial Statements of Prime Media Holdings, Inc. as at June 30, 2018 (with comparative Audited Statements of Financial Position as at December 31, 2017) and for the three months and six months period ended June 30, 2018 and 2017 are in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of statements of financial position as at June 30, 2018 and December 31, 2017:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	Increase (decrease)	
	(P'000)	(P'000)	Amount (P'000)	Percentage
Current assets	P28,000	P16,803	P11,197	66.64%
Noncurrent assets	71,548	71,714	(166)	(0.23%)
<b>Total Assets</b>	<b>P99,548</b>	<b>P88,517</b>	<b>P11,031</b>	<b>12.46%</b>
Current Liabilities	P206,931	P193,072	P13,859	7.18%
Noncurrent Liability	9,557	9,557	–	–
	216,488	202,629	13,859	6.84%
Capital Deficiency	(116,940)	(114,112)	(2,828)	2.48%
<b>Total Liabilities and Capital Deficiency</b>	<b>P99,548</b>	<b>P88,517</b>	<b>P11,031</b>	<b>12.46%</b>

Summary of unaudited statements of comprehensive income for the three months and six months period ended June 30, 2018 and 2017:

	For three months ended June 30,		For six months ended June 30,	
	2018 (P'000)	2017 (P'000)	2018 (P'000)	2017 (P'000)
Revenues	P315	P145	P602	P146
Expenses	1,535	6,400	3,430	13,387
Loss before tax	(1,220)	(6,255)	(2,828)	(13,241)
Provision for income tax	–	–	–	–
<b>Total comprehensive loss</b>	<b>(P1,220)</b>	<b>(P6,255)</b>	<b>(P2,828)</b>	<b>(P13,241)</b>

Summary of unaudited statements of cash flows for the three months and six months period ended June 30, 2018 and 2017:

	For three months ended		For six months ended	
	June 30, 2018 (P'000)	2017 (P'000)	June 30, 2018 (P'000)	2017 (P'000)
Cash provided by (used in) operating activities	P19,452	(P40,753)	P18,976	(P1,878)
Net increase (decrease) in cash	19,452	(40,753)	18,976	(1,878)
Cash at beginning of period	1,244	41,577	1,720	2,702
Cash at end of period	P20,696	P824	P20,696	P824

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The company has not been actively operating other than the activities connected with the transfer of the Company's remaining assets to the Philippine Depositary Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP). The Company also continues to pursue the cleanup of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

### FINANCIAL CONDITION AND RESULTS OF OPERATION

#### Six months ended June 30, 2018 compared with six months ended June 30, 2017

Results of operation for the six months ended June 30, 2018 and 2017 were net loss of P2.83 million and P13.24 million, respectively. As compared with same period last year, net loss for the current period declined by P10.41 million or equivalent to 78.64%.

Significant changes in the income statement accounts for the six months ended June 30, 2018 versus the same period last year are as follow:

#### Income

- The Company's income for the first half of 2018 of P0.60 million is higher by P0.46 million or 312.01% compared with same period last year. This increase is primarily due to the rental arising from lease agreement entered into between the Company and Mareventures Mining & Development Corporation (MMDC), an entity under common control, to lease the former's transportation equipment to the latter, for a fix consideration. The agreement commenced last January 7, 2018.
- During the period, the Company has recovered P0.03 million from account it has previously written off (nil last year), which also contributed to the increase in total income.

#### Expenses

Total expenses during the period amounts to P3.43 million, lower by P9.96 million or 74.38% compared with same period last year. The movement in expenses are attributable to the following:

- Professional fees increased by P0.65 million compared with same period last year. Factors that resulted to increase in this account are payments of various legal fees, and annual listing fee amounting to P0.26 million.

- b. The Company outsourced other activity during the period, resulting to increase in Outside Services by P0.60 million compared with same period last year.
- c. Increase in taxes and licenses of P0.23 million or 148.86% is primarily due to payment of real property taxes.
- d. Depreciation expense during the period is higher by P0.16 million compared with same period last year. The increase is attributable to depreciation of the transportation equipment which was purchased by the Company in the latter part of 2017.
- e. The Company has not renewed yet the management agreement with its Parent Company (said agreement is yet to be discussed by management), resulting to a decrease of P11.55 million or equivalent to 100% (as this account is nil during the period).

### **Three months ended June 30, 2018 compared with three months ended June 30, 2017**

Results of operation for the three months ended June 30, 2018 and 2017 were net loss of P1.22 million and P6.25 million, respectively.

Significant changes in the income statement accounts for the three months ended June 30, 2018 versus the same period last year are as follow:

#### **Income**

- a. The Company's income for the second quarter of 2018 of P0.31 million is higher by P0.17 million or 116.96% compared with same period last year. This increase is primarily due to the rental arising from lease agreement entered into between the Company and Marcventures Mining & Development Corporation (MMDC), an entity under common control, to lease the former's transportation equipment to the latter, for a fix consideration. The agreement commenced last January 7, 2018.
- b. During the period, the Company has recovered P0.03 million from account it has previously written off (nil last year), which also contributed to the increase in total income.

#### **Expenses**

Total expenses during the period amounts to P1.53 million, lower by P4.86 million or 76.02% compared with same period last year. The movement in expenses are attributable to the following:

- a. More outsourced service-related expenses were incurred during the period, resulting to increase in Outside Services by P0.92 million, compared with same period last year.
- b. Compared with same period last year, taxes and licenses is lower by P0.08 million. More real property taxes were paid during second quarter last year as compared this year.
- c. Depreciation expense during the period is higher by P0.08 million compared with same period last year. The increase is attributable to depreciation of the transportation equipment which was purchased by the Company in the latter part of 2017.
- d. The Company has not renewed yet the management agreement with its Parent Company (said agreement is yet to be discussed by management), resulting to a decrease of P5.77 million or equivalent to 100% (as this account is nil during the period).



## STATEMENTS OF FINANCIAL POSITION

Total assets of the Company as at June 30, 2018 of P99.55 million is higher by P11.03 million compared with December 31, 2017 balance. Movement is attributed to the following:

- a. *Cash*  
Cash increased by P18.98 million. The increase is mainly attributable to receipt of P20 million from its parent company.
- b. *Receivables*  
Increase in receivables of P0.33 million or 13.54% is primarily due to unpaid rental from MMDC (refer to analytics on Income section a).
- c. *Advances to related parties*  
During the period, the Company received P2.3 million as payment of advances made to related parties. The Company also received advances amounting to P20 million from parent company.
- d. *Other current assets*  
Increase in other current assets is mainly due to recognition of Input VAT from purchases of goods and/or services.
- e. *Equipment*  
Decrease in equipment of P0.17 million is attributed to the depreciation recognized for the period. No additions were made during the period.
- f. *Due to parent company*  
See analytics on c. *Advances to related parties*.
- g. *Capital deficiency*  
The increase in capital deficiency of P2.83 million is mainly due to net loss during the period. The Company's application for equity restructuring to reduce its deficit as at December 31, 2016, by applying its APIC amounting to P2.11 million is approved last March 23, 2018 (see Note 1), hence, APIC as at June 30, 2018 is already nil.

## STATEMENTS OF CASH FLOWS

Net cash provided by operating activities for the six months ended June 30, 2018 amounts to P18.98 million, while cash used in operating activities in same period last year was P1.88 million. Increase in cash from operating activities is the net result of the following:

- Receipt of P2.3 million from related parties (payment of advances) and P20 million from parent company.
- Payment of operating expenses during the period.

## HORIZONTAL AND VERTICAL ANALYSIS

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	Increase (Decrease) Amount Percentage	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	P20,695,670	P1,720,231	P18,975,439	1103.07%
Receivables	2,786,132	2,453,932	332,200	13.54%
Advances to related parties	4,046,938	12,420,000	(8,373,062)	(67.42%)
Other current assets	471,672	208,359	263,313	126.38%
Total Current Assets	28,000,412	16,802,522	11,197,890	66.64%
<b>Noncurrent Assets</b>				
Investment properties	69,876,000	69,876,000	-	-
Available-for-sale (AFS) financial assets	300,000	300,000	-	-
Equipment	1,371,910	1,538,190	(166,280)	(10.81%)
Total Noncurrent Assets	71,547,910	71,714,190	(166,280)	(0.23%)
	P99,548,322	P88,516,712	P11,031,610	12.46%
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accrued expenses and other current liabilities	P193,051,400	P193,071,645	(P20,245)	(0.01%)
Due to parent company	13,880,000	-	13,880,000	100.00%
Total Current Liabilities	206,931,400	193,071,645	13,859,755	7.18%
<b>Noncurrent Liabilities</b>				
Deferred tax liability	9,556,800	9,556,800	-	-
Total Liabilities	216,488,200	202,628,445	13,859,755	6.84%
<b>Capital Deficiency</b>				
Capital stock	714,664,876	714,664,876	-	-
Additional paid-in capital (APIC)	-	2,114,921,869	(2,114,921,869)	(100.00%)
Deficit	(831,704,754)	(2,943,798,478)	2,112,093,724	(71.75%)
Cumulative unrealized gain on AFS financial assets	100,000	100,000	-	-
Total Capital Deficiency	(116,939,878)	(114,111,733)	(2,828,145)	2.48%
	P99,548,322	P88,516,712	P11,031,610	12.46%

## FINANCIAL INDICATORS

	June 30, 2018	June 30, 2017
Net loss	(2,828,145)	(13,240,951)
Quick assets	21,456,802	824,450
Current assets	28,000,412	37,685,013
Total assets	99,548,322	106,108,633
Current liabilities	206,931,400	196,051,130
Total liabilities	216,488,200	205,085,630
Stockholders' equity	(116,939,878)	(98,976,997)
Preferred stock	14,366,260	14,366,260
Number of common shares outstanding	700,298,616	700,298,616
Number of preferred shares outstanding	14,366,260	14,366,260

Current Ratio <sup>1/</sup>	0.135	0.192
Debt to Equity Ratio <sup>2/</sup>	(1.851)	(2.072)
Asset to Equity Ratio <sup>3/</sup>	(0.851)	(1.072)
Return on Assets <sup>4/</sup>	(0.030)	(0.019)
Return on Equity <sup>5/</sup>	0.024	(0.200)
Book Value per share	(0.188) per share	(0.12) per share
Earnings/Loss per share (basic) trailing 12 months	(0.026)	(0.04)

- 1/ Current assets divided by current liabilities
- 2/ Total liabilities divided by equity
- 3/ Total assets divided by equity
- 4/ Net income (loss) divided by average assets
- 5/ Net income (loss) divided by average equity  
Total common stockholder's equity divided  
Trailing 12 months Net income (loss) less  
dividends paid on preferred stock / weighted  
ave. no. of common shares outstanding

## OTHER INFORMATION

- a. There are no known trends, demands, commitments, events or uncertainties that have a material impact on the Company's liquidity.
- b. There are no events that will trigger direct or contingent financial obligation that is material to the Company.
- c. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities, or other persons were created during the interim period.
- d. There are no material commitments for capital expenditures during the interim period.
- e. There are no known trends, events or uncertainties that have or are reasonably expected to have a material impact on net sales/ revenues/ income from continuing operations.
- f. There is no significant income or expense that did not arise from the Company's continuing operations.

- g. There is no seasonal aspect that had a material effect on the financial condition or results of operation.

## PART II - OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

## PART III - FINANCIAL SOUNDNESS INDICATORS

### Liquidity Ratio

- a. Current Ratio  
Total Current Assets/ Total Current Liabilities = 0.135
- b. Quick Ratio  
Quick asset / Total Current Liabilities = 0.104

### Solvency Ratio

- a. Debt Ratio  
Total liabilities / Total assets = 2.175
- b. Debt to Equity Ratio  
Total liabilities / Shareholder's Equity = (1.851)

### Profitability Ratio

- a. Return on Equity Ratio  
Net loss / Average shareholder's equity = 0.024
- b. Return on Assets  
Net loss / Average Total assets = (0.030)
- c. Asset to Equity Ratio:  
Total Assets / Stockholders' Equity = (0.851)
- d. Asset Turnover  
Revenue/Total Assets = 0.006
- e. Book value per share  
Stockholder's equity - preferred stock/No. of common shares outstanding = (0.188)

## SIGNATURES

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

Issuer: PRIME MEDIA HOLDINGS, INC.

Date: August 13, 2018

By:

Signature:

  
\_\_\_\_\_  
ROLANDO S. SANTOS

Title: Treasurer

Signature:

  
\_\_\_\_\_  
JACKY-LYN S. VALENZUELA

Title: Accountant



**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)  
**STATEMENTS OF FINANCIAL POSITION**

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	P20,695,670	P1,720,231
Receivables	5	2,786,132	2,453,932
Advances to related parties	12	4,046,938	12,420,000
Other current assets		471,672	208,359
Total Current Assets		28,000,412	16,802,522
<b>Noncurrent Assets</b>			
Investment properties	6	69,876,000	69,876,000
Available-for-sale (AFS) financial assets	7	300,000	300,000
Equipment	8	1,371,910	1,538,190
Total Noncurrent Assets		71,547,910	71,714,190
		P99,548,322	P88,516,712
<b>LIABILITY AND CAPITAL DEFICIENCY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other current liabilities	9	P193,051,400	P193,071,645
Due to parent company	12	13,880,000	-
Total Current Liabilities		206,931,400	193,071,645
<b>Noncurrent Liability</b>			
Deferred tax liability		9,556,800	9,556,800
Total Liabilities		216,488,200	202,628,445
<b>Capital Deficiency</b>			
Capital stock	10	714,664,876	714,664,876
Additional paid-in capital (APIC)		-	2,114,921,869
Deficit		(831,704,754)	(2,943,798,478)
Cumulative unrealized gain on AFS financial assets	7	100,000	100,000
Total Capital Deficiency		(116,939,878)	(114,111,733)
		P99,548,322	P88,516,712

*See accompanying Notes to Financial Statements.*

**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2018	2017	2018	2017
<b>INCOME</b>					
Rental	11	P286,071	P139,680	P572,143	P139,680
Recovery of accounts written-off		28,203	—	28,203	—
Interest income	4	351	5,335	1,246	6,335
		314,625	145,015	601,592	146,015
<b>EXPENSES</b>					
Professional fees		246,025	244,962	1,552,547	904,915
Outside services		1,069,224	148,962	1,134,377	533,114
Taxes and licenses		42,743	119,886	392,327	157,652
Depreciation	8	83,140	4,290	166,280	8,580
Rent	11	19,679	68,519	59,348	100,585
Management fee	12	—	5,773,196	—	11,546,392
Others		73,913	39,891	124,858	135,728
		1,534,724	6,399,705	3,429,737	13,386,966
<b>NET LOSS</b>		<b>(P1,220,099)</b>	<b>(P6,254,690)</b>	<b>(P2,828,145)</b>	<b>(P13,240,951)</b>
<b>Basic and Diluted Loss Per Share</b>	14	<b>(P0.002)</b>	<b>(P0.009)</b>	<b>(P0.004)</b>	<b>(P0.019)</b>

*See accompanying Notes to Financial Statements.*

**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

		For the Six Months Ended June 30,	
	Note	2018	2017
<b>CAPITAL STOCK</b>			
	10		
Common stock - P1 par value		P700,298,616	P700,298,616
Preferred stock - P1 par value		14,366,260	14,366,260
		714,664,876	714,664,876
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of the year, as previously reported		2,114,921,869	2,114,921,869
Application of equity restructuring		(2,114,921,869)	-
Balance at end of period		-	2,114,921,869
<b>DEFICIT</b>			
Balance at beginning of year, as previously reported		(2,943,798,478)	(2,915,362,792)
Application of equity restructuring		2,114,921,869	-
Balance after equity restructuring		(828,876,609)	(2,915,362,792)
Net loss		(2,828,145)	(13,240,950)
Balance at end of period		(831,704,754)	(2,928,603,742)
<b>CUMULATIVE UNREALIZED GAIN ON AFS FINANCIAL ASSETS</b>			
	7	100,000	40,000
		(P116,939,878)	(P98,976,997)

*See accompanying Notes to Financial Statements.*

**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**UNAUDITED STATEMENTS OF CASH FLOWS**

		Three Months Ended June 30,	
	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		(P1,220,099)	(P6,254,690)
Adjustments for:			
Depreciation	8	83,140	4,290
Interest income	4	(351)	(5,335)
Operating loss before working capital changes		(1,137,310)	(6,255,735)
Decrease (increase) in:			
Receivables		(292,400)	(72,000)
Advances to related parties		7,120,000	(20,000,000)
Other current assets		(119,230)	(11,546,391)
Increase (decrease) in:			
Accrued expenses and other current liabilities		337	(2,884,283)
Due to parent company		13,880,000	-
Net cash generated from (used for) operations		19,451,397	(40,758,409)
Interest received		351	5,335
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>19,451,748</b>	<b>(40,753,074)</b>
<b>CASH AT BEGINNING OF PERIOD</b>		<b>1,243,922</b>	<b>41,577,524</b>
<b>CASH AT END OF PERIOD</b>		<b>P20,695,670</b>	<b>P824,450</b>

*See accompanying Notes to Financial Statements.*

**PRIME MEDIA HOLDINGS, INC.**  
**(A Subsidiary of RYM Business Management Corp.)**  
**UNAUDITED STATEMENTS OF CASH FLOWS**

		<b>Six Months Ended June 30,</b>	
	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		(P2,828,145)	(P13,240,951)
Adjustments for:			
Depreciation	8	166,280	8,580
Interest income	4	(1,246)	(6,335)
Operating loss before working capital changes		(2,663,111)	(13,238,706)
Decrease (increase) in:			
Receivables		(332,200)	11,001
Advances to related parties		8,373,062	20,000,000
Other current assets		(263,313)	(11,546,392)
Increase (decrease) in:			
Accrued expenses and other current liabilities		(20,245)	2,890,248
Due to parent company		13,880,000	--
Net cash generated from (used for) operations		18,974,193	(1,883,848)
Interest received		1,246	6,335
<b>NET INCREASE (DECREASE) IN CASH</b>		18,975,439	(1,877,513)
<b>CASH AT BEGINNING OF PERIOD</b>		1,720,231	2,701,963
<b>CASH AT END OF PERIOD</b>		<b>P20,695,670</b>	<b>P824,450</b>

*See accompanying Notes to Financial Statements.*



**PRIME MEDIA HOLDINGS, INC.**  
(A Subsidiary of RYM Business Management Corp.)

**NOTES TO UNAUDITED FINANCIAL STATEMENTS**

**1. Corporate Information**

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2017 and 2016, 663,713,458 Company shares are publicly listed.

The Company is a subsidiary of RYM Business Management Corp. (the Parent Company), a holding company registered and domiciled in the Philippines.

On September 12, 2002, the Company agreed to transfer assets and liabilities arising from its development bank operations to Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2017 and 2016, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

The financial statements of the Company as at December 31, 2017 and 2016 and for the three years ended December 31, 2017, 2016 and 2015 were approved and authorized for issuance by the Board of Directors (BOD) on April 20, 2018.

**Status of Operations**

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its previous development bank operations to BDO and PDIC. Thus, the Company has continued to incur losses resulting in a capital deficiency of P114.1 million and P85.7 million as at December 31, 2017 and 2016, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of P34.2 million into common stock in 2016, converted their advances of P600.5 million to additional capital in 2014 and infused capital aggregating P179.0 million in 2014 and 2013 to reduce the capital deficiency. On December 1, 2017, the Company submitted an application to the SEC for the Company's equity restructuring to reduce the capital deficiency.

On March 23, 2018, the SEC approved the Company's equity restructuring to reduce its deficit as at December 31, 2016 from P2,915.4 million to P800.5 million by applying its APIC amounting to P2,114.9 million.

On July 10, 2018, the Company has entered into a Compromise Agreement with the Bangko Sentral ng Pilipinas for the full and final settlement of its case. Upon execution of the Compromise Agreement, the parties have agreed to deliver all documents and perform all acts necessary to cause the relevant court to render a judgment based on the said Agreement and terminate the case.

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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation**

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee.

### **Measurement Bases**

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All values represent absolute amounts except otherwise stated.

The financial statements have been prepared on a historical cost basis, except for its investment properties and AFS financial assets which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 transaction date. 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 use of unobservable inputs.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

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

For the purpose of fair value disclosures, the Company 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.

Further information about the assumptions made in measuring fair values is included in Notes 6, 7 and 15.

#### **Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures have been included in the notes to financial statements, as applicable.

#### **New and Amended PFRS in Issue But Not Yet Effective**

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which they are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken; the amount of change in fair value of a financial liability designated as at fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* - The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

Effective for annual periods beginning on or after January 1, 2019:

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

### **Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting.

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

*"Day 1" Differences.* Where the transaction 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of profit or loss. In cases where there is no observable data on inception, the Company deemed the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at June 30, 2018 and December 31, 2017, the Company does not have financial assets and liabilities at FVPL and HTM investments.

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets is subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the statements of comprehensive income and in the equity section of the statements of financial position. These changes in fair value are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

As at June 30, 2018 and December 31, 2017, the Company classified its proprietary membership share as AFS financial assets.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

As at June 30, 2018 and December 31, 2017, this category includes cash, receivables (excluding advances to officers, employees and service providers) and advances to related parties.

*Other Financial Liabilities at Amortized Cost.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

As at June 30, 2018 and December 31, 2017, this category includes accrued expenses and other current liabilities (excluding statutory payables), and due to parent company.

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset and the net amount reported in the 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statements of financial position.

#### **Impairment of Financial Assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after



impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

*Loans and Receivable.* The Company assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the statements of changes in equity.

#### **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 by the Company when:

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

When the Company has transferred its right 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 Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or 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 the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

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

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

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

#### **Other Current Assets**

Other current assets mainly consist of prepayments which represent expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than twelve months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

#### **Investment Properties**

Investment properties, accounted for under the fair value model, are property held either to earn rentals or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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 Company accounts for such property in accordance with the policy on property, plant and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.



### **Equipment**

Equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of computer equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of equipment. The cost of replacing a component of an item of equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the equipment of 5 years.

The estimated useful lives and method for depreciation are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

### **Impairment of Nonfinancial Assets**

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, nonfinancial assets are written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to 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. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued.

*APIC.* Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC. Incremental costs directly attributable to the issuance of new shares are

treated as deduction from APIC.

*Deficit.* Deficit represents the cumulative balance of the Company's results of operations net dividends declared, if any.

#### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

*Rental.* Rental income is recognized using the straight-line method over the term of the lease.

*Interest Income.* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

*Recovery of Assets Written-off and Other Income.* Income from other sources is recognized when the amount is actually received.

#### **Expense Recognition**

Expenses constitute cost of administering the business. These costs are expensed upon receipt of goods, utilization of services, or when the expense is incurred.

#### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date whether the fulfilment 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 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 fulfilment is dependent on a specified asset;  
or
- d. there is a substantial change to the asset.

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

*Operating Lease - Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

*Operating Lease - Company as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

#### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Value Added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current asset" account in the statements of financial position.

#### **Loss Per Share**

Basic loss per share is computed by dividing net loss for the year attributable to common stockholders by the weighted average number of common stock outstanding during the year, with retroactive adjustments for any stock dividends declared or stock split.

Diluted loss per share is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the loss per share effect of potential dilutive common stock would be anti-dilutive, basic and diluted loss per share are stated at the same amount.

#### **Segment Reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. The Company has only one segment as holding company.



### **Related Parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

### **Provisions**

Provisions are recognized when the Company 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.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

### **Contingencies**

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

### **Events after the Reporting Date**

Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

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## **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of financial statements in accordance with PFRS requires management to make judgment, estimates and assumptions that affect the amounts reported in the financial statements. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Judgments**

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements.

*Assessing the Company's Ability to Continue as a Going Concern.* The Company has incurred continuous losses resulting in a capital deficiency of P114.1 million and P85.7 million as at December 31, 2017 and 2016, respectively. Management believes this trend to continue for the twelve months after reporting date. As discussed in Note 1, the stockholders provide continuing necessary financial support to the Company while new business opportunities are not yet available. Based on this, the financial statements are prepared on a going concern basis of accounting.

*Classifying Financial Instruments.* The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company classified its proprietary membership shares as an AFS financial assets (see Note 7).

*Accounting for Lease Commitments: Company as a Lessor.* Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Company. Lease contracts where the Company retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Company, as a lessor, has entered into property subleases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to P0.6 million and P0.1 million in 2018 and 2017, respectively (see Note 11).

*Accounting for Lease Commitments: Company as a Lessee.* The Company, as a lessee, has various operating lease agreements. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to P0.06 million and P0.1 million in 2018 and 2017, respectively (see Note 11).

*Classifying Investment Properties and Owner-Occupied Properties.* The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owneroccupied properties generate cash flows that are attributable not only to the 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 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 investment property. The Company considers each property separately in making its judgment.

The carrying amount of investment properties amounted to P69.9 million as at June 30, 2018 and December 31, 2017, respectively (see Note 6).

*Evaluating Contingencies.* The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that eventual liabilities under these lawsuits or claims, if any, will not have a material effect of the Company's financial statements.

#### **Estimates and Assumptions**

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Estimating Liabilities Related to Previous Development Bank Operations.* The estimated liabilities related to previous development bank operations of the Company is based on the management's best estimate of the amount expected to be incurred to settle the obligation.

The liabilities arising from the MOA amounted to P171.1 million as at June 30, 2018 and December 31, 2017 (see Note 9).

*Estimating Impairment Losses on Receivables and Due from Related Parties.* The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

Impairment losses on receivables amounted to P2.1 million in 2017. Allowance for impairment losses amounted P62.4 million as at June 30, 2018 and December 31, 2017. The carrying amount of receivables amounted to P2.8 million and P2.5 million as at June 30, 2018 and December 31, 2017, respectively (see Note 5).

*Determining Fair Value of Investment Properties.* The Company engaged an independent appraiser to determine the fair value of its investment properties. In 2017 and 2016, the fair value of investment properties was based on the valuation performed on March 1, 2018 and April 3, 2017, respectively. Management evaluated that the fair value of investment property determined on appraisal date approximates the fair value as at reporting date since there were no significant changes in the condition of the property and economic environment between those dates. The fair value was determined using the market data approach in 2017 and 2016. Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Further information about the assumptions made in measuring fair value of investment properties are discussed in Notes 6 and 15.

Gain on fair value changes which was recognized in the statements of comprehensive income amounted to P1.7 million and P1.9 million in 2017 and 2016, respectively. The carrying value of investment properties amounted to P69.9 million as at June 30, 2018 and December 31, 2017 (see Note 6).

*Assessing Impairment of Nonfinancial Assets.* The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

No impairment losses were recognized in 2018 and 2017.

The carrying amount of the Company's nonfinancial assets are as follows:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Investment properties	6	P69,876,000	P69,876,000
Equipment	8	1,371,910	1,538,190
Other current assets		471,672	208,359

*Assessing Impairment of AFS Financial Assets.* The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted instruments and the future cash flows and the discount factors for unquoted instruments.

No impairment losses were recognized in 2018 and 2017. The carrying amount of AFS financial assets amounted to P0.3 million as at June 30, 2018 and December 31, 2017 (see Note 7).

*Assessing Realizability of Deferred Tax Assets.* The Company reviews its deferred tax assets at each reporting date 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.

The Company's unrecognized deferred tax assets amounted to P44.6 million and P36.2 million as at December 31, 2017 and 2016, respectively. Management believes that there will be no sufficient future taxable profits against which these deferred tax assets can be utilized.

#### 4. Cash

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	P5,277	P5,277
Cash in banks	20,690,393	1,714,954
	<b>P20,695,670</b>	<b>P1,720,231</b>

Cash in banks earn interest at prevailing bank deposit rates. Interest income from cash in banks amounted to P1,246 and P6,335 as at June 30, 2018 and 2017, respectively.

#### 5. Receivables

This account consists of:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Loans receivable		P62,277,740	P62,277,740
Advances to officers, employees and service providers		2,151,335	2,126,335
Rent receivable	11	761,132	453,932
		65,190,207	64,858,007
Less allowance for impairment losses		62,404,075	62,404,075
		<b>P2,786,132</b>	<b>P2,453,932</b>

Loans receivable are related to the Company's previous bank operations. The unimpaired balance of loans receivable amounting to P2.0 million is left under an escrow fund as at June 30, 2018 and December 31, 2017.

Advances to officers, employees and service providers represent unliquidated, noninterest-bearing advances for processing of the transfer of title of properties to PDIC and BDO. These are liquidated upon the accomplishment of the purposes for which the advances were granted.

Movements in allowance for impairment losses are as follows:

	2018			
	Loans receivable	Advances to officers, employees and service providers	Rent receivable	Total
Balance at beginning of period	P60,277,740	P2,126,335	P-	P62,404,075
Provision	-	-	-	-
Balance at end of period	P60,277,740	P2,126,335	P	P62,404,075

The Company recovered some accounts written-off in prior years amounting to P0.03 million and P0.2 million in 2018 and 2017, respectively.

#### 6. Investment Properties

Movements in this account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost	P38,020,000	P38,020,000
<b>Movement on fair value changes:</b>		
Balance at beginning of period	31,856,000	30,115,000
Gain on fair value change	-	1,741,000
Balance at end of period	31,856,000	31,856,000
	P69,876,000	P69,876,000

This account represents parcels of commercial land located in Legazpi City, Albay, which are held for capital appreciation.

The fair values of the investment properties as at December 31, 2017 and 2016 are based on valuations performed by accredited independent appraiser. The appraised value of the investment properties were arrived at using the market data approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others.

#### Market Data Approach

Significant Unobservable Inputs	2017
Price per square meter	P20,000-P22,857
Value adjustments	-5% to 75%



The significant unobservable inputs to fair valuation are as follows:

*Price per Square Meter:* estimated value prevailing in the real estate market depending on the location, area, shape and time element.

*Value Adjustments:* adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

**Market Data Approach** involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element

*Sensitivity Analysis.* The factors considered in determining the fair value of the property are the (a) location of the property with reference to quality neighborhood, (b) size, (c) physical characteristics such as shape, topography and road frontage; and (d) time element.

## 7. AFS Financial Assets

The Company's AFS financial assets consist of a club share in Valley Golf & Country Club. The fair value of the club share is determined by reference to published price quotations in an active market.

Movements in this account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>Cost</b>	<b>P200,000</b>	<b>P200,000</b>
<b>Unrealized gain (loss) on fair value changes</b>		
Balance at beginning of period	100,000	40,000
Fair value change	—	60,000
Balance at end of period	100,000	100,000
	<b>P300,000</b>	<b>P300,000</b>

## 8. Equipment

Movements in this account are as follows:

	June 30, 2018 (Unaudited)		
	Computer Equipment	Transportation Equipment	Total
<b>Cost</b>			
Balance at beginning of period	P85,800	P1,577,000	P1,662,800
Additions	—	—	—
Balance at end of period	85,800	1,577,000	1,662,800
<b>Accumulated Depreciation</b>			
Balance at beginning of period	45,760	78,850	124,610
Depreciation	8,580	157,700	166,280
Balance at end of period	54,340	236,550	290,890
<b>Net Carrying Amount</b>	<b>P31,460</b>	<b>P1,340,450</b>	<b>P1,371,910</b>

	December 31, 2017 (Audited)		
	Computer Equipment	Transportation Equipment	Total
<b>Cost</b>			
Balance at beginning of year	P85,800	P-	P85,800
Additions	-	1,577,000	1,577,000
Balance at end of year	85,800	1,577,000	1,662,800
<b>Accumulated Depreciation</b>			
Balance at beginning of year	28,600	-	28,600
Depreciation	17,160	78,850	96,010
Balance at end of year	45,760	78,850	124,610
<b>Net Carrying Amount</b>	<b>P40,040</b>	<b>P1,498,150</b>	<b>P1,538,190</b>

#### 9. Accrued Expenses and Other Current Liabilities

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Liabilities arising from the MOA	P171,104,972	P171,104,972
Dividends payable	10,985,443	10,985,443
Rental deposits	5,972,642	5,972,642
Accrued expenses	1,763,356	1,763,356
Others	3,224,987	3,245,232
	<b>P193,051,400</b>	<b>P193,071,645</b>

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets from its development bank operations to BDO/PDIC and other related liabilities, primarily from unremitted collection of assigned receivables and sale of foreclosed properties for the account of PDIC (see Note 1). This account also includes provision for probable losses to cover estimated losses from claims. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, certain information is not disclosed until final settlement as it might prejudice the Company's position on the matter.

Dividends payable pertains to the Company's dividend for cumulative, nonparticipating, nonvoting, redeemable and convertible preferred stock that were declared prior to the Company's incurrence of deficit.

Rental deposits represent long-outstanding rental deposits that have not been claimed by the Company's previous tenants.

Accrued expenses pertain to accrual of outside services, professional fees and association dues, among others. These are normally settled in the next financial year.

Others include statutory payables and refunds of tenants related to the Company's previous operations. These are noninterest-bearing, unsecured and are normally settled in the next financial year or upon demand.

## 10. Capital Stock

The movement in capital stock are as follows:

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common stock - P1 par value</b>				
Authorized	3,000,000,000	P3,000,000,000	3,000,000,000	P3,000,000,000
Subscribed:				
Balance at beginning of period	700,298,616	700,298,616	700,298,616	700,298,616
Conversion of preferred to common stock	-	-	-	-
Balance at end of period	700,298,616	700,298,616	700,298,616	700,298,616
<b>Preferred stock - P1 par value</b>				
Authorized	2,000,000,000	P2,000,000,000	2,000,000,000	P2,000,000,000
Issued and outstanding:				
Balance at beginning of period	14,366,260	14,366,260	14,366,260	14,366,260
Conversion of preferred to common stock	-	-	-	-
Balance at end of period	14,366,260	14,366,260	14,366,260	14,366,260
	714,664,876	P714,664,876	714,664,876	P714,664,876

The Company has 1,600 and 1,603 stockholders as at June 30, 2018 and December 31, 2017, respectively.

The following summarizes the information on the Company's issued and subscribed shares as at June 30, 2018:

	Number of shares issued and subscribed	Percentage of shares
<b>Non-public shareholdings:</b>		
a. Related parties	575,733,986	82.21%
b. Affiliates, directors and officers	2,005	0.00%
Public shareholdings	124,562,625	17.79%
<b>Total</b>	700,298,616	100.00%

The high and low trading prices of the Company's stock are as follows:

Quarter	High	Low
<b>January to June 2018</b>		
First	P1.68	P1.10
Second	1.62	1.09
<b>January to December 2017</b>		
First	P1.26	P1.01
Second	1.17	0.76
Third	1.65	0.92
Fourth	1.98	1.02

The preferred stock has the following salient features:

- Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.
- Cash dividend rate initially at 4.50% per annum based on par value, which shall be automatically adjusted to 9.00% per annum upon full payment of the subscription price.
- The Company may, at any time at its option, wholly or partially redeem the outstanding preferred stock plus accrued dividends thereon. When such call for redemption is made, the

holders of the preferred stock may opt to convert the preferred stock to common stock.

On October 10, 2001, the BOD approved an option to stockholders of preferred stock of extending the maturity of shares for another five years for a 2% additional dividend on the 9% regular dividend.

## 11. Leases

On February 8, 2018, the Company entered into cancellable lease agreement with MMDC for its Toyota Hilux for a period of twenty one months from January 7, 2018 to October 7, 2019.

Rent income amounted to P0.6 million and P0.1 million in 2018 and 2017. Rent receivable amounted to P0.8 million and P0.5 million as at June 30, 2018 and December 31, 2017, respectively (see Note 5).

Related rent expense amounted to P0.06 million and P0.1 million in 2018 and 2017, respectively.

## 12. Related Party Transactions

Outstanding balances and transaction with related parties are as follows:

### Parent Company and Other Related Party

	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		June 30, 2018 (Unaudited)	2017 (Audited)	June 30, 2018 (Unaudited)	2017 (Audited)
<b>Advances to related parties</b>					
Entity under common Control	Advances	(P2,253,062)	P12,300,000	P4,046,938	P6,300,000
Due to Parent Company	Advances	(20,000,000)	20,000,000	(13,880,000)	6,120,000

### **Nontrade**

	Management fee		
Parent Company		P- P 23,092,784	P- P-

Outstanding balances are unsecured, noninterest-bearing, payable on demand and settlement occurs in cash. The Company has not made any provision for impairment losses relating to the amounts owed by related parties. This assessment is undertaken at each reporting date by taking into consideration the financial position of the related party and the market at which the related party operates.

On December 22, 2015, the Company entered into a management agreement with the Parent Company to oversee and supervise the Company's business matters until December 31, 2017.

### Key Management Personnel

The Company has no key management personnel. Its accounting and administrative functions are provided by a related party at no cost to the Company.

### 13. Commitments and Contingencies

- a. In the normal course of the Company's prior operations, there are outstanding commitments, pending litigations and contingent liabilities which are not reflected in the financial statements. The Company does not anticipate significant losses as a result of these transactions.
- b. As discussed in Note 1, under the MOA dated September 12, 2002 between the Company and BDO/PDIC, the Company agreed to transfer its assets and liabilities from its development banking operations. The Company agreed to hold BDO free from any contingent claims, labor and minority issues and concerns arising from related assets and liabilities still managed by the Company until these are assumed by BDO. Further, the Company agreed to indemnify BDO against losses, claims and damages BDO may suffer in the event such contingent claims, labor and minority issues affect BDO's rights under the MOA.

The Company has accounted for separately, assets from its development banking operation pursuant to the MOA. It still has in its possession titles of real estate properties from its development banking operations with an aggregate fair value of P527.8 million and P542.4 million as at December 31, 2017 and 2016, respectively. Moreover, the Company has cash of P13.9 million as at December 31, 2017 arising from the proceeds of sale of a property.

- c. The Company is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from these will not materially affect the Company's financial position and results of operations.
- d. On July 20, 2018, the Company has entered into a Compromise Agreement with the Bangko Sentral ng Pilipinas for the full and final settlement of its case amounting to P20.0 million.

### 14. Loss Per Share

The basic and diluted loss per share were computed as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Net loss	(P2,828,145)	(P28,435,686)
Less dividend rights of preferred stock for the year	—	1,581,671
Loss attributable to common stockholders	(P2,828,145)	(P30,017,357)
Divided by weighted average number of common stock	700,298,616	700,298,616
Loss per share - basic and diluted	(P0.004)	(P0.04)

The conversion feature of the Company's preferred stock has potential antidilutive effect (i.e., it decreases loss per share). Therefore, diluted loss per share is equal to basic loss per share.

### 15. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, receivables (excluding advances to officers, employees and service providers), due from related parties, AFS financial assets, accrued expenses and other current liabilities (excluding statutory payables).

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.



### Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and receivables (excluding advances to officers, employees and service providers) and due from related parties. The carrying amount of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

The aging analyses of financial assets as at June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 (Unaudited)				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	P20,690,393	P-	P-	P-	P20,690,393
Receivables*	2,761,132	-	-	60,277,740	63,038,872
Advances related parties	4,046,938	-	-	-	4,046,938
AFS financial assets	300,000	-	-	-	300,000
	P27,798,463	P-	P-	P60,277,740	P88,076,203

\*Excluding advances to officers, employees and service providers amounting to P2.2 million.

	December 31, 2017 (Audited)				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	P1,714,954	P-	P-	P-	P1,714,954
Receivables*	2,453,932	-	-	60,277,740	62,731,672
Advances to related parties	12,420,000	-	-	-	12,420,000
AFS financial assets	300,000	-	-	-	300,000
	P16,888,886	P-	P-	P60,277,740	P77,166,626

\*Excluding advances to officers, employees and service providers amounting to P2.1 million.

**Credit Quality of Financial Assets.** The credit quality of the Company's financial assets are being managed by using internal credit ratings such as high grade and standard grade.

High grade - pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal.

Standard grade - include financial assets that are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty.

The Company has assessed the credit quality of financial assets that are neither past due nor impaired as high grade.

Receivables are classified as substandard grade since these are receivables from third parties. The Company assessed these receivables as uncollectible and provided allowance for impairment losses amounting to P60.3 million as at June 30, 2018 and December 31, 2017.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its cash receipts and disbursements. As part of its liquidity risk management, the Company regularly evaluates its

projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

As at June 30, 2018 and December 31, 2017, accrued expenses and other current liabilities (excluding statutory payables) amounting to P193.1 million are generally due and demandable.

#### **Fair Values**

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and the corresponding fair value hierarchy:

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	P20,695,670	P20,695,670	P1,720,231	P1,720,231
Receivables*	2,761,132	2,761,132	2,453,932	2,453,932
Advances to related parties	4,046,938	4,046,938	12,420,000	12,420,000
AFS financial assets	300,000	300,000	300,000	300,000
	<b>P27,803,740</b>	<b>P27,803,740</b>	<b>P16,894,163</b>	<b>P16,894,163</b>
<b>Nonfinancial Asset</b>				
Investment properties	P69,876,000	P69,876,000	P69,876,000	P69,876,000
<b>Financial Liabilities</b>				
Accrued expenses and other current liabilities**	P193,051,236	P193,051,236	P193,051,236	P193,051,236
Due to parent company	13,880,000	13,880,000	—	—
	<b>P206,931,236</b>	<b>P206,931,236</b>	<b>P193,051,236</b>	<b>P193,051,236</b>

\*Excluding advances to officers, employees and service providers.

\*\*Excluding statutory payables.

*Current Financial Assets and Liabilities.* The carrying amounts of cash, receivables (excluding advances from officers, employees and service providers), due from related parties and accrued expenses and other current liabilities (excluding statutory payables) approximate their fair values due to the shortterm nature and maturities of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (Significant unobservable inputs).

*AFS Investment.* The fair value of this financial asset is determined by reference to quoted market bid prices at the close of business at the reporting date. The fair value measurement of AFS investment is classified as Level 1 (Quoted in an active market).

*Investment Properties.* The fair value of investment properties is determined based on valuations performed by accredited independent appraiser. The appraised value of the investment properties were arrived at using the market data approach. The fair value measurement of investment properties is classified as Level 3 (Significant unobservable inputs).

#### **Capital Management**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue its operations as a going concern and to maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders, or issue new stock. No changes were made in the objectives, policies or processes for the years ended December 31, 2017, 2016 and 2015.