

MACROASIA CORPORATION AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

**For the First Quarter and
Period Ended March 31, 2020**

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

Our unaudited condensed consolidated financial statements include the accounts of MacroAsia Corporation and its subsidiaries, collectively referred to as the “the Group” or “MacroAsia Group” in this report.

The unaudited condensed consolidated financial statements for the first quarter ended March 31, 2020 have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements which are filed as Annex 1 of this report, do not include all the information required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The main objective of this MD&A is to help the readers understand the dynamics of our Group’s businesses and the key underlying factors for our financial results. Hence, our MD&A is comprised of discussions about our core business units and our analysis of the results of their operations. This section also focuses on key statistics from the unaudited condensed consolidated financial statements and discusses known risks and uncertainties relating to the aviation industry in the Philippines where we operate during the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general, economic, political and environmental conditions after the stated reporting period or after the date of this report.

Our MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes. All financial information is reported in Philippine peso (₱), unless otherwise stated.

Any references in this MD&A to “the Parent Company”, “MAC”; or “the Corporation” means MacroAsia Corporation and references to the “MacroAsia Group” or “the Group” means MacroAsia Corporation and its subsidiaries/associates.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, www.macroasiacorp.com.

BUSINESS OVERVIEW**MacroAsia Corporation**

MacroAsia Corporation is a publicly-listed company, incorporated in the Philippines on February 16, 1970, under the name Infanta Mineral and Industrial Corporation to primarily engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Parent Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation. MAC began commercial operations as a holding company under its amended charter in 1996.

MAC, through its subsidiaries and associates, is presently engaged in aviation-related support businesses. It provides in-flight and institutional catering services, airport ground handling services, aircraft maintenance, repair and overhaul (MRO) services, charter flight services, and operates an economic zone at the Ninoy Aquino International Airport (NAIA). Its subsidiaries and/or associated companies render services directly to airline customers/locators at twenty-seven (27) locations all over the country including NAIA, and Manila Domestic Airport (MDA) generating both local and export revenues. An integrated aviation career and resource development company is also established. A subsidiary of MAC also provides exploratory drilling services for third party clients. Another subsidiary has revenue-generating activities from water treatment for underground water sources, surface/river water, sea water and gray water, bulk water supply using surface water sources and water distribution in service concession areas outside of Metro Manila.

MAC continues to operate mainly through its seven (7) subsidiaries and three (3) associates, as fully discussed below.

MacroAsia Catering Services, Inc.

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

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

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

Capturing 67% of the in-flight catering market based on flight movement, MACS is the catering service provider to 17 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contract with an airline to provide top-up meals and ground feeding in case of flight delays.

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

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

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last September 2019, EVA Air presented the 2018 Excellence in Catering Award – South East Asia to MACS, this is the second consecutive year that MACS ranked no.1 among 7 stations in SEA region. In 2018, MACS ranked 4th in Qatar Airways' network-wide catering service provider evaluation program. MACS was also a recipient of the ADB SPC Excellence Award in December 2018. In 2017, MACS was recognized by Qantas (QF) for its "On-time Performance, Safety and Service Delivery" and also by Japan Airlines for being part of the "2016 Best Airport

Performance Award” received by the Manila Station. Last March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, a consistent feat for several years now.

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

In 2019, 2018, and 2017, MACS’ sales contributions to MAC’s consolidated gross operating revenues were 29%, 46% and 52%, respectively. MACS’ airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Southern (CZ), China Eastern (MU), Etihad Airways (EY), Eva Air (BR), Japan Airlines (JL), Korean Air (KE), Oman Air (WY), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF). MACS is also the preferred caterer for VIP flights from NAIA. MACS delivered a total of 6.2 million meals in 2019, at an average production of about 17,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly out of Manila. For the first quarter of 2020, MACS average production dropped to 13,500 meals a day. This is because of the travel restrictions imposed by multiple countries to handle the COVID-19 crisis.

As of March 31 2020, MACS and its subsidiaries, MSFI and MSIS, have core manpower complement of 823 individuals, excluding the 948 staffs contracted from external providers.

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

MacroAsia Airport Services Corporation

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales. As of March 31, 2020, its work force consisted of 4,322 organic staff and 1,540 outsourced staff, 10% higher compared to same period in 2019.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MAC acquired the 30% share of Menzies making MASCORP a wholly-owned subsidiary of MAC.

On November 29, 2019, 20% stake of MAC shareholdings to MASCORP was acquired by Konoike Transport Co. Ltd (Konoike) of Japan. This is in line with the agreed mutual

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

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao, General Santos, and Clark. Last March 2017, it started its ground handling in Laoag, Basco, Puerto Princesa, Busuanga, Legazpi, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, and Butuan. MASCORP also started handling Camiguin and Siargao flights of PAL Express in December 2017.

In 2019, MASCORP took over the Passenger Services Department of PAL Express in NAIA Terminal 3 on February 23. On March 16, 2019, MASCORP took over the Philippine Airlines' 1st and 2nd shift in NAIA – Terminal 2, Philippine Airlines' International Cargo Terminal in Manila and Philippine Airlines' domestic operations in Cebu – Terminal 1. On March 31, 2019 MASCORP started handling Jin Air in Kalibo station. On June 18, 2019 MASCORP's latest client, Qatar Airways, inaugurated in Davao Station. Towards the end of 2019, MASCORP started its ground handling in Tawi-Tawi on December 22, 2019.

MASCORP contributes 46%, 46% and 41% of the Group's total operating revenues for the period ended March 31, 2020 and for the year ended 2019 and 2018, respectively.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Luzon International Premier Airport Development Corporation (LIPAD) which took over Clark International Airport Corporation (CIAC) for Clark Station, and Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos, Basco, Laoag, Puerto Princesa, Busuanga, San Vicente, Bacolod, Iloilo, Antique, Legazpi, Tacloban, Roxas, Butuan, Cotabato, Dipolog, Camiguin, Siargao, Zamboanga, Tawi-tawi, Cagayan De Oro, Davao. Its concessions agreement with the new stations is currently being processed with CAAP.

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

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

MacroAsia Properties Development Corporation

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

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

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

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

MAPDC is the subsidiary that initially developed the Group's water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. MAPDC has formed a 100%-owned subsidiary, SNV Resources Development Corp. (SNVRDC) that built a water treatment plant and distribution network in Solano, Nueva Vizcaya that became operational during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island, Aklan. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite. In 2017, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project.

As of March 31, 2020, MAPDC has a workforce of 44 employees.

For the past three years, MAPDC's contributes minimal administrative revenues in effect of PFRS 16, while the water companies under MAPDC contributed 6%.

MAPDC is subject to PEZA rules and regulations and will be affected by approval of the proposed bills pending in Congress that will modify benefits to PEZA locators. MAPDC does

not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

MacroAsia Air Taxi Services, Inc.

MacroAsia Air Taxi Services, Inc. (MAATS) is a fully-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines. The Company has five regular employees as of March 31, 2020.

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

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

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

First Aviation Academy

First Aviation Academy Inc. (FAA) was incorporated on December 5, 2017 and has its training facility established and inaugurated in March 2019 in Subic Bay International Airport as an integrated aviation career and resource center. Its business model was built on addressing the foreseen shortage of professional pilots for airline clients not only in the Philippines but also in other countries. FAA is a joint venture flight school between MAC (51%) and PTC Holdings Corporation (49%).

Initially, FAA will provide ab initio pilot training, certification and aviation-related career development courses. Its graduate pilots will have completed a Private Pilot License (PPL), Instrument Rating (IR), Multi-Engine Rating (MER) and a Commercial Pilot License (CPL). Top graduates will also have a chance to become a Flight Instructor, providing a unique way to build up their flying hours, while honing their instructor skills. Two main features that set FAA apart from other aviation schools in the country are its fleet of relatively brand-new TECNAM planes with full glass cockpit electronic instrumentation and the Redbird MCX and TD2 G-1000 simulators as they were procured just middle part of 2019. Such a training platform will enable students to develop the skill sets necessary to excel in the international aviation space.

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

As of March 31, 2020, FAA has a workforce of 20 employees.

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

Allied Water Services Inc. (formerly Airport Specialists' Services Corporation)

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), initially a wholly-owned subsidiary of MASCORP, was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Incorporated primarily as an aviation-support entity, Airport Specialists' Services Corporation (ASSC) was converted into a water holding company under the new name, Allied Water Services Inc. (AWSI) on August 22, 2019. AWSI was revived to establish, maintain and operate waterworks systems for potable water supply and/or waste water treatment systems. Currently, there are two subsidiaries under AWSI namely, Summa Water Resources, Inc. (Summa), and AlliedKonsult Eco-Solutions Corporation (AlliedKonsult) which remains under the project development stage. On September 13, 2019, Cavite AlliedKonsult

Services Corporation (Cavite Allied) was incorporated. This is a wholly-owned subsidiary of AlliedKonsult that will engage in the construction of sewage and septage treatment plants and facilities. Inclined toward a spinoff of water business units, MAC is preparing its water segment to be transferred fully under Allied Water Services, Inc. and no longer under MAPDC.

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

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

MacroAsia Mining Corporation

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary of MAC, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained. The Company has eight regular employees and two probationary employees as of March 31, 2020.

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

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

2012. The DOA was finalized after securing the written consent of Philex. Meanwhile, acquisition of MADECOR took effect recently on March 2, 2020.

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

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

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

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

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

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

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

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

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

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP

welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

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

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

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

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

LTP's total manpower count and regular employees increased by 2% and 3%, respectively, from the prior year. They have a labor force of 3,488 by March 31, 2020.

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

Cebu Pacific Catering Services, Inc.

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

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

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

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

CPCS's personnel count is at 145 employees as of March 31, 2020.

CPCS contributed an average of 9% MAC equity in the net income of associates out of the total consolidated net income.

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

CPCS does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by CPCS during the last three fiscal years.

Japan Airport Service Corporation

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

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

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

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

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

JASCO currently handles 27 airlines as of March 31, 2020.

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

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

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

KEY PERFORMANCE INDICATORS
(in thousands except for ratios)
March 31, 2020 and 2019

The Group uses major performance measures or indices to track its business results. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year. Among the measures are the following:

Return on Net Sales (RNS)

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

		2020	2019
Return on	Total Net Income	₱ 17,579	₱ 214,949
Net Sales	Total Net Revenues	1,371,298	1,052,845
		<u>1.28%</u>	<u>20.42%</u>

Net revenues pertain to the revenues of the subsidiaries of the Group while the net income includes our share in the profits of our associates, LTP, CPCS and JASCOs. The lower consolidated RNS in the current period compared to same period last year is caused primarily by lower income contribution from our associates and operating subsidiaries in the first quarter of 2020 brought by the business slowdown as a result of restrictions imposed by governments due to the public health emergency arising from COVID-19.

Return on Investment (ROI)

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

		2020	2019
Return on	NI attributable to Equity holder of Parent	₱ 9,742	₱ 208,224
Investment	Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	7,839,728	6,693,927
		<u>0.12%</u>	<u>3.11%</u>

The decrease in ROI is caused by the decrease in share in the profits of associates. The Group also had a number of loan contracts for a facility construction and equipment acquisition purposes in prior periods which substantially have outstanding balances as of the period end.

Return on Equity (ROE)

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

		2020	2019
Return on Equity	= $\frac{\text{Total Net Income}}{\text{Total Equity}}$	= $\frac{\text{₱ 17,579}}{6,444,359}$	= $\frac{\text{₱ 214,949}}{5,708,063}$
		= <u>0.27%</u>	= <u>3.77%</u>

The decrease in ROE is mainly because of the decline in income.

Direct Cost and Operating Expense Ratio

These ratios measure the average rate of direct costs and operating expenses on products/services sold.

		2020	2019
Direct Cost Ratio	= $\frac{\text{Total Direct Cost}}{\text{Total Net Revenues}}$	= $\frac{\text{₱ 1,132,952}}{1,371,298}$	= $\frac{\text{₱ 804,361}}{1,052,845}$
		= <u>82.62%</u>	= <u>76.40%</u>

		2020	2019
Operating Expense Ratio	= $\frac{\text{Total Operating Expenses}}{\text{Total Net Revenues}}$	= $\frac{\text{₱ 253,402}}{1,371,298}$	= $\frac{\text{₱ 225,907}}{1,052,845}$
		= <u>18.48%</u>	= <u>21.46%</u>

The Group's direct cost ratio increased due to the unavoidable fixed expenses that were incurred despite revenue growth slowdown in in-flight and other catering, and ground handling and aviation segments due to the COVID-19 impact.

The decrease in total operating expenses ratio of the group as compared to the previous year is likewise related to the decrease in business activities in aviation segment.

Current Ratio

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

		2020	2019
Current Ratio	= $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	= $\frac{\text{₱ 4,370,147}}{3,194,426}$	= $\frac{\text{₱ 2,920,737}}{1,632,664}$
		= <u>137%</u>	= <u>179%</u>

Although lower than that of the same period last year, the Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion of current assets held as cash. The increase in current liabilities was due to the loans entered by the Group for additional capital expenditures.

Debt-to-Equity Ratio

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

Debt-to-Equity Ratio	=	$\frac{\text{Total Interest-bearing Debts}}{\text{Total Equity}}$	2020	2019	
			₱ 1,816,894	₱1,342,932	
			6,444,359	5,708,063	
			=	28%	24%

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group which remained outstanding as at period end. In addition, MSFI and BTSI have availed additional loans of ₱50 million each on the 1st quarter for their respective working capital requirements.

Interest Coverage Ratio

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

Interest Coverage Ratio	=	$\frac{\text{Total Earnings before Interest and Taxes}}{\text{Interest Expense}}$	2020	2019	
			₱ 73,383	₱ 258,952	
			29,366	10,838	
			=	2.50:1	23.89:1

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

Asset-to-Equity Ratio

This ratio measures the company's leverage and long-term solvency.

Asset-to-Equity Ratio	=	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2020	2019	
			₱12,392,672	₱ 8,561,371	
			6,444,359	5,708,063	
			=	192%	150%

The ratios indicate an increase in ratio between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds but is also using debt-financing to fund growth in the businesses.

RESULTS OF OPERATION (Year-to-Date March)

The Group recorded a consolidated net income after tax of ₱17.58 million for the period ended March 31, 2020, exhibiting a negative variance of ₱197.37 million (-92%) as compared to the consolidated net income after tax of ₱214.95 million in the same period of 2019.

Revenues from in-flight catering contributed 47% of the total revenues and has shown an upward trend from last year's ₱447.24 million to the current year's ₱639.85 million. This is brought about by increase in the number of meals served to airline clients, from 1,900,207 in 2019 to 2,972,492 meals in 2020. The revenues from ground-handling & aviation services significantly rose by ₱153.10 million (+32%) from ₱473.58 million in 2019 to ₱626.68 million in 2020. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express and other air carriers which increased by a total of 6,056 flights (+16%) from 38,257 in 2019 to 44,313 in the current year.

Revenues from water operations contributed 6% of the total revenues, a decrease by ₱0.66 million (-1%) to ₱83.64 million from ₱84.30 million during the same period last year due to downturn of commercial water sales in Boracay as the island was impacted by COVID-19 tourism closure, although the water businesses in other areas grew. Billed volume of water in cubic meters ("cu.m.") grew by 1%, from 1.84 million cu.m. in 2019 to 1.86 million cu.m. in 2020.

Administrative revenues from ecozone leases did not vary significantly as rates charged did not vary significantly compared with last year.

Exploratory drilling revenue represents MMC's earnings from drilling contracts in Carrascal Surigao which was completed as of the period end.

Aviation training school, First Aviation Academy ("FAA") has started its commercial operation in May 2019 which onboarded batches of trainees and generated revenue from its current 33 trainees.

Total direct costs in 2020 amounted to ₱1,132.95 million, posting an increase of ₱328.59 million (+41%) from 2019. The increase is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by substantial increases in manpower count due to the growth in business volume following the takeover of PAL and PALex groundhandling and meal servicing starting March 16, 2019. Aside from the difference in staff headcount during the periods being compared, wage increases also impacted on the labor costs. Consolidated operating expenses grew by ₱27.50 million from ₱225.91 million in 2019 due to the correspond increase in personnel expenses as staff count grew.

Share in net income/losses of associates (LTP, CPCS and JASCO) amounted to ₱78.01 million, which decreased by ₱153.40 million (-66%). Changes in equity shares from period to period are dependent upon the results of operations of the associated companies. For the period ended March 31, 2020, our MRO business registered profits of ₱144.39 million from which we share 49% or ₱70.75 million. In the first quarter of 2019, MAC's share in LTP's income is ₱221.25 million, out of ₱451.53 million. The decrease in the income of LTP is due to the

slowdown in business operations attributable to the COVID-19 pandemic. CPCS - our catering associate in Cebu, reflected an 29% decrease in its net earnings also due to impact of COVID-19. MAC booked its 40% net income share in CPCS at ₱7.19 million, compared to last year's ₱10.16 million. JASCO-our groundhandling associate in Japan, contributed ₱0.08 million representing the 30% share in net income of MAC.

The interest income of ₱0.69 million pertains to income earned from short-term investments. Financing charges increased from ₱10.84 million in 2019 to ₱29.37 million in 2020, aligned with the increase in notes payable of the Group and impact of adoption of IFRS 16 *Leases*.

Other income and charges increased to ₱10.43 million against the ₱4.96 million in 2019 mainly due to forex gains as dollar exchange rates appreciates. The Group posted a provision for income tax in the amount of ₱27.12 million in 2020, 19% lower as compared to 2019's ₱33.32 million.

FINANCIAL POSITION (Year-to-Date March)

At the consolidated level as of March 31, 2020, total assets stood at ₱12.39 billion, posting a ₱95.30 million decrease from last year-end's level of ₱12.49 billion. Cash and cash equivalents of ₱0.74 billion decreased by ₱0.49 billion (-40%), which is caused by cash outflows from operating requirements. The Group sees no liquidity issues in 2020, as the cash balances of the operating subsidiaries are preserve to meet it currently maturing obligations.

Receivables increased by ₱1.22 billion or 64% due to dividend receivable from our associate LTP amounting to ₱0.95 billion, as payment was made subsequent to the 1st quarter. Inventories of ₱112.67 million were maintained in line with forecasted inventory level requirements. Input taxes and other current assets of ₱372.55 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of March 31, 2020.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP and JASCO due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared and actually received during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded a decrease of ₱869.77 million (-28%) in this investment account, from ₱3.09 billion in 2019 year-end to ₱2.22 billion as of March 31, 2020 as a result of dividend declaration of LTP.

The Group's property and equipment of ₱2.58 billion had an increase from last year's ₱2.56 billion due to new acquisitions made by our catering, ground handling, water and pre-operating companies offset by depreciations. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

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

The carrying amount of deferred income tax assets of ₱45.75 million as of March 31, 2020, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Other noncurrent assets increased by ₱13.86 million or 4% to ₱397.31 million due to the increase in deferred rent expense. Other noncurrent assets account also include deferred project costs, rental and refundable deposits, advances to contractors, restricted investment, prepaid rental equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments and retirement assets. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱420.26 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR and SUMMA. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities had a minimal decrease of ₱83.29 million (-5%) as of March 31, 2020. Loans payable of ₱1,816.89 million refers to the loan availed from local banks by several companies under the Group to finance their asset acquisition as a result of business expansion which remain outstanding as of year-end. During the year, loans were availed by, MSFI amounting to ₱50 million, BTSI with ₱50 million. Loan settlement during the year amounted to ₱125 million.

Accrued retirement benefits payable and other long term employee benefits amounting to ₱94.70 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱139.50 million remained at the same level as prior year's ending balance. Dividends payable of ₱429.88 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS, the sale 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC) and the sale of MASCORP's 20% shares to Konoike Transport Co., LTD. ("Konoike"), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱45.07 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP and JASCO in the amount of (₱31.84) million which changes in accordance with US\$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and remeasurements of defined benefit plans of subsidiaries.

Movement in the “non-controlling interests” depends on the results of operations of MACS, ASSC, BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI, 49% share of MWIC in WBSI, 49% share of PTC Holding, Inc. (“PTC”) in FAA, 20% share of Konoike in MASCORP and 49% share of minority shareholders in Allied Konsult. As of December 31, 2019, non-controlling interests amounted to ₱421.53 million.

MacroAsia Corporation’s Mining Project

MacroAsia Corporation holds two Mineral Production Sharing Agreements (MPSAs), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke’s Point, Palawan. MPSA-220 or the Infanta Nickel Project covers a total land area of 1,114 hectares with nickel in the form of laterite ore as the primary commodity. This area was the source of ore shipments to Japan in the 1970’s.

The total extent of the laterite area explored within the MPSA is around 536 hectares with the deposit composed of limonite and saprolite ores. Within this delineated nickel ore envelope, 2,754 drill holes were done, resulting into 48,568.7 meters drilled. There were also 482 test pits that were dug, yielding 2,550.8 meters more for sampling. The resulting samples collected numbered 52,284, and these were analyzed for nickel (Ni), iron (Fe) and 12 other elements/oxides, including the loss in ignition (LOI), using fused bead done under X-Ray Fluorescence (XRF) technique at Intertek Laboratories. The Parent Company has completed an exploration report that is compliant to the Philippine Mineral Reporting Code (PMRC). A preliminary mining plan and a pre-feasibility studies have also been drafted.

The operation of the Mining Project has already been endorsed by the three impact barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and presently in the process of renewing the ECC under a revised Environmental Impact Assessment (EIA) Report having lapsed in 2015. Due to some legal issues, the Certificate Pre-condition (CP) is yet to be released by the National Commission of the Indigenous People (NCIP). The permit under the Special Environmental Plan (SEP) of the Palawan Council for Sustainable Development (PCSD) is adjunct to the CP under NCIP and that of the ECC under the Environmental Management Bureau (EMB). All other permits required for the mining operations have been secured. Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property are being undertaken since 2012. The third renewal of the two-year Exploration Period under MPSA 220-2005-IVB was granted by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on March 19, 2018. The extended exploration period allows MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore.

Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on

August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area.

BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex. In relation to the operating agreement between Philex and BUMICO, Philex committed to submit quarterly reports to MAC which will be subjected to regular validation by MAC’s technical team.

Three (3) mining tenements are under operating agreement between Philex Gold Philippines Incorporated (PGPI), with PNB-MADECOR and PNB-BUMICO. MLC MRD 510 and EP 008-2010-VI are under PGPI-BUMICO agreement. The former is under renewal since 2014 with consequent conversion to MPSA while the latter is under application for the first renewal for exploration and have been signed by the representatives of PNB and PGPI on January 31, 2013. Both applications are yet pending with the MGB Central Office. EXPA 000100-VI, meanwhile, have been endorsed by MGB Region 6 to MGB Central Office for review and approval. The latter tenement is under PGPI-MADECOR agreement.

MacroAsia Corporation and MacroAsia Mining Corporation also maintain exploration permit applications (EXPAs) to mineralized areas in Carigara and Baybay City in Northern Leyte and in Pintuyan-San Ricardo in Southern Leyte denominated as EXPA 0091-, 0092-, and 0093-VI, respectively.

More recently, the thrust of MacroAsia Mining Corporation (MMC) is focused on the transfer of the mining tenements registered under MacroAsia Corporation to MMC. On 15th November 2018, MMC purchased BUMICO from PNB and on March 2, 2020, MMC also acquired MADECOR from PNB. The move is part of a bigger program on the spinning-off of MacroAsia Mining Corporation to become an independent entity from MacroAsia Corporation.

NUMBER OF STOCKHOLDERS

There are 845 stockholders as of March 31, 2020 and December 31, 2019.

OTHER MATTERS

1. Passenger loads and flight frequencies of airlines are the two most important factors that affect the revenue levels of the Group’s operating units that are involved in catering and ground handling. The Group constantly monitors these two factors that directly impact on revenues and costs.
2. Being an aviation services provider, the Group has been impacted during the reporting period by the COVID-19 pandemic as flights were cancelled and airports

were closed down to contain the spread of the COVID-19 virus. Airline catering meal volumes and flight turnarounds were reduced by more than 90% of normal starting second half of March 2020 and this situation still prevails as of this report date. The management teams of the aviation services companies within the Group have immediately instituted cash conservation and cost-control measures to cope with the ensuing crisis and business downturn. Business recovery of the aviation service units will follow the track of the airline and tourism industries that will benefit from the easing up of quarantine and travel restrictions in the country and elsewhere. The water utilities and concessions business unit of the Group on the other hand, registered growth in their respective business areas during the time of the community quarantine.

3. Management does not anticipate within the next twelve (12) months, to have cash flow or liquidity problems despite the impact of the quarantine restrictions and business downturn. Before the pandemic, the Group has built up its cash reserves through its operating revenues and collections. Excess cash are invested in placements with better yields.
4. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
5. Other than the water projects in Cavite, there are no material commitments for capital expenditures created during the reporting period.
6. There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations that are not disclosed in the consolidated interim financial statements.
7. The Group is not aware of any future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.
8. Other than the COVID-19 pandemic, the Group is not aware of any seasonal aspects that have material effect during the reporting period.
9. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.
10. No material events have occurred subsequent to the end of the current interim period that should be reflected in the financial statements for the interim period.

SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report has been reviewed by the Audit Committee of MacroAsia Corporation on June 15, 2020, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on June 16, 2020.

MACROASIA CORPORATION

Registrant

By:



JOSEPH T. CHUA
President



AMADOR T. SENDIN
Chief Financial Officer

MACROASIA CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 (Unaudited)

and

December 31, 2019 (Audited)

GENERAL INFORMATION**Directors (as of March 31, 2020)**

Lucio C. Tan	(Chairman and CEO)
Carmen K. Tan	
Lucio C. Tan III	
Vivienne K. Tan	
Michael G. Tan	
Joseph T. Chua	(President and COO)
Eduardo Luis T. Luy	(Treasurer)
Johnip G. Cua	(Independent Director)
Ben C. Tiu	(Independent Director)
Samuel C. Uy	(Independent Director)
Marixi R. Prieto	(Independent Director)

Chief Financial Officer, Chief Risk Officer, Senior Vice President - Administration

Amador T. Sendin

Senior Vice President - Human Resources, Legal and External Relations, Chief Compliance Officer / Corporate Information Officer

Atty. Marivic T. Moya

Vice-President - Business Development/ Data Protection Officer

Belgium S. Tandoc

Corporate Secretary

Atty. Florentino M. Herrera III

Stock and Transfer Agent

Trust Banking Group
Philippine National Bank (formerly Allied Banking Corporation)
3rd Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City

Banks

Philippine National Bank
(formerly Allied Banking Corporation)
6754 Ayala Avenue, Makati City

Unionbank of the Philippines
Tektite Building, Ortigas Center, Pasig City

Philippine Bank of Communications
565-567 Sto. Cristo, Binondo Manila

Asia United Bank
G/F Morning Star Center Building,
Gil Puyat Avenue, Makati City

Banco de Oro Universal Bank
EPC Building, Paseo de Roxas cor.
Gil Puyat Ave., Makati City

Metrobank and Trust Company
New Manila Branch 676 Aurora Blvd.,
New Manila 1112 Quezon City

China Banking Corporation
8745 Paseo de Roxas corner Villar St. Makati City

Auditors

SyCip Gorres Velayo & Co.
6760 Ayala Avenue, Makati City

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2020 (UNAUDITED)	DECEMBER 31, 2019 (AUDITED)
ASSETS		
Current Assets		
Cash and cash equivalents	P 737,191,797	P 1,219,639,428
Receivables and contract asset	3,147,727,919	1,925,742,769
Inventories	112,673,818	105,978,871
Input taxes and other current assets	372,553,785	348,491,609
Total Current Assets	4,370,147,320	3,599,852,677
Noncurrent Assets		
Investments in associates	2,217,760,411	3,087,533,060
Property, plant and equipment	2,584,669,768	2,561,076,769
Investment property	143,852,303	143,852,303
Service concession right	420,264,400	424,608,123
Input taxes -net	254,971,150	262,173,286
Deferred income tax assets	45,748,402	51,897,998
Goodwill and intangible assets	300,851,096	302,112,383
Net Investment in the lease	1,165,420,003	1,171,844,192
Right of Use Asset	491,677,878	499,566,989
Other noncurrent assets	397,309,398	383,451,244
Total Noncurrent Assets	8,022,524,808	8,888,116,347
TOTAL ASSETS	P 12,392,672,128	P 12,487,969,024
LIABILITIES AND EQUITY		
Current Liabilities		
Current loans payable	P 1,041,472,461	P 1,057,536,067
Accounts payable and accrued liabilities	1,667,628,611	1,750,913,920
Income tax payable	30,758,953	14,004,966
Dividends payable	429,877,693	35,928,020
Lease Liabilities Right of use Asset	24,688,033	24,688,033
Total Current Liabilities	3,194,425,751	2,883,071,006
Noncurrent Liabilities		
Loans payable- net of current portion	775,421,738	784,399,498
Accrued retirement and other employee benefits payable	94,704,260	93,089,694
Deferred income tax liabilities	139,502,848	142,800,411
Lease Liabilities Right of use Asset - net of current portion	1,693,195,285	1,698,736,101
Other noncurrent liabilities	51,063,501	48,029,160
Total Noncurrent Liabilities	2,753,887,632	2,767,054,864
Total Liabilities	5,948,313,383	5,650,125,870

Equity

Capital stock - ₱ 1 par value

Authorized - 2,000,000,000 shares

 Issued and fully paid - 1,618,146,293
 shares

1,618,146,293

1,618,146,293

Additional paid-in capital

281,437,118

281,437,118

Other Reserves

1,030,075,272

1,030,075,272

Other components of equity

(144,474,932)

(159,952,483)

Retained earnings

Appropriated

1,645,000,000

1,645,000,000

Unappropriated

2,052,067,826

2,436,275,526

Treasury shares

(459,418,212)

(426,826,835)

 Total equity attributable to equity holders
 of the parent company

6,022,833,366

6,424,154,891

Non-controlling interests
421,525,379

413,688,263

Total Equity
6,444,358,745

6,837,843,154

TOTAL LIABILITIES AND EQUITY
₱
12,392,672,128
₱
12,487,969,024

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the period ended March 31

	JAN-MAR 2020	JAN-MAR 2019	JAN-MAR 2019
		As Reported	As Restated*
NET SERVICE REVENUE			
In-flight and other catering	P 639,849,846	P 447,235,548	P 447,235,548
Ground handling and aviation	626,684,614	473,584,549	473,584,549
Rental and administrative	7,273,302	47,720,295	6,131,063
Aviation training fee	10,364,381	-	-
Charter flights	-	-	-
Water	83,639,585	84,304,216	84,304,216
Exploratory drilling fees	3,486,439	-	-
	1,371,298,167	1,052,844,608	1,011,255,377
DIRECT COSTS			
In-flight and other catering	475,871,157	288,522,021	288,522,021
Ground handling and aviation	578,713,970	404,604,628	403,874,610
Rental and administrative	11,687,532	44,961,250	3,372,018
Aviation training cost	10,804,418	-	-
Charter flights	-	-	-
Water related expenses	51,787,681	62,887,612	62,887,612
Exploratory drilling expense	4,087,107	3,385,723	3,385,723
	1,132,951,865	804,361,234	762,041,984
GROSS PROFIT	P 238,346,302	P 248,483,374	P 249,213,393
SHARE IN NET INCOME OF ASSOCIATES	78,011,612	231,414,948	235,570,656
	316,357,915	479,898,322	484,784,049
OPERATING EXPENSES	(253,401,859)	(225,906,583)	(222,848,252)
INTEREST INCOME	685,579	154,937	154,937
FINANCING CHARGES	(29,366,437)	(10,837,558)	(17,846,311)
OTHER INCOME - net	10,426,617	4,960,618	4,960,618
INCOME BEFORE INCOME TAX	P 44,701,814	P 248,269,736	P 249,205,041
PROVISION FOR INCOME TAX	27,122,726	33,321,214	32,301,181
NET INCOME	P 17,579,088	P 214,948,522	P 216,903,860
Attributable to:			
Equity holders of the parent	9,741,972	208,223,771	210,351,905
Non-controlling interests	7,837,116	6,724,752	6,551,955
	P 17,579,088	P 214,948,523	P 216,903,860
Basic Earnings Per Share	0.01	0.13	0.13

*amounts restated for the impact of adoption of PFRS 16 Leases

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	JAN - MAR 2020	JAN - MAR 2019 as Reported	JAN - MAR 2019 as Restated*
NET INCOME (LOSS)	₱ 17,579,088 ₱	214,948,523 ₱	216,903,860
OTHER COMPREHENSIVE INCOME (LOSS) - Net			
Net foreign currency translation adjustments	15,477,552	(32,260,029)	(32,260,029)
Remeasurements on defined benefit plan	-	-	-
	15,477,552	(32,260,029)	(32,260)
Total Comprehensive Income (Loss)	33,056,640	182,688,493	184,643,831
Attributable to:			
Equity holders of the parent	₱ 25,219,525 ₱	175,963,741 ₱	178,091,876
Non-controlling interests	7,837,116	6,724,752	6,551,955
	₱ 33,056,640 ₱	182,688,493 ₱	184,643,831

**amounts restated for the impact of adoption of PFRS 16 Leases*

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 44,701,814	P 248,269,736
Adjustments for:		
Equity in net (income) loss of associates	(78,011,612)	(231,414,948)
Depreciation and amortization	71,601,913	50,080,917
Depreciation and amortization - Right of Use Asset	6,638,673	
Interest on Lease Liabilities on Right Of Use Asset	6,389,915	
Interest income	(685,579)	(154,937)
Unrealized foreign exchange (gain) loss - net	(365,508)	(1,391,548)
Retirement benefit cost	-	460,466
Provision for (reversal of) other long-term benefits	1,614,566	
Financing charges	22,976,521	10,837,558
Operating income before working capital changes	74,860,704	76,687,245
Decrease (increase) in:		
Receivables	(278,723,350)	16,879,337
Inventories	(6,694,947)	13,896,963
Other current assets	(24,062,176)	(75,614,260)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(83,285,309)	(40,817,406)
Accrued rental payables	-	2,162,914
Other noncurrent liabilities	4,284,779	(771,859)
Cash generated from (used in) operations	(313,620,300)	(7,577,067)
Interest received	685,579	154,937
Financing charges paid	(22,976,521)	(10,837,558)
Contributions to retirement fund	-	(24,877,737)
Income taxes paid , including creditable withholding taxes	(7,516,707)	21,718,683
Net cash from (used in) operating activities	P (343,427,949)	P (21,418,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(89,589,901)	(184,975,683)
Acquisitions of intangible assets	-	(20,000,000)
Dividends received	20,000,000	896,310,450
Decrease (Increase) in refundable deposits and other noncurrent assets	(6,656,019)	127,530,558
Net cash from (used in) investing activities	P (76,245,919)	P 818,865,325
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of notes payable	100,000,000	250,000,000
Payments of notes payable	(125,041,366)	(9,043,573)
Acquisition of treasury shares	(32,591,377)	-
Payment of Lease Liabilities on Right Of Use Asset	(5,506,542)	-
Net cash from (used in) financing activities	P (63,139,285)	P 240,956,427
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	365,521	(16,724,205)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	P (482,447,631)	P 1,021,678,806
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,219,639,428	675,196,833
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 737,191,797	P 1,696,875,639

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousand Pesos)

	Attributable to the Equity Holders of the Parent											Non-controlling Interest	Total
	Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjustment of an Associate	Remeasurements on Defined Benefit Plan	Share in Remeasurements on Defined Benefit Plan of Associates	Other Reserves	Reserve for fair value changes of financial assets investments	Treasury Shares	Retained Earnings		Subtotal		
									Appropriated	Unappropriated			
BALANCES AT													
DECEMBER 31, 2018	1,618,146	281,437	53,348	39,663	(30,584)	143,300	35,720	(176,215)	840,000	2,688,487	5,493,302	350,343	5,843,645
Dividend declaration	-	-	-	-	-	-	-	-	-	(318,270)	(318,270)	-	(318,270)
Total comprehensive income (loss)	-	-	(32,260)	-	-	-	-	-	-	210,352	178,092	6,552	184,644
BALANCES AT													
MARCH 31, 2019	P= 1,618,146	281,437	21,088	39,663	(30,584)	143,300	35,720	(176,215)	840,000	2,580,569	5,353,123	356,895	P= 5,710,018
BALANCES AT													
DECEMBER 31, 2019	1,618,146	281,437	(47,322)	(14,908)	(142,792)	1,030,075	45,070	(426,827)	1,645,000	2,436,276	6,424,155	413,688	6,837,843
Dividend declaration	-	-	-	-	-	-	-	-	-	(393,950)	(393,950)	-	(393,950)
Total comprehensive income (loss)	-	-	15,478	-	-	-	-	-	-	9,742	25,220	7,837	33,057
Acquisition of treasury shares	-	-	-	-	-	-	-	(32,591,377)	-	-	(32,591)	-	(32,591)
BALANCES AT													
MARCH 31, 2020	₱ 1,618,146	281,437	(31,845)	(14,908)	(142,792)	1,030,075	45,070	(459,418)	1,645,000	2,052,068	6,022,833	421,525	P= 6,444,359

**SUMMARIZED INCOME STATEMENT INFORMATION FOR
UNCONSOLIDATED SUBSIDIARY**

LUFTHANSA TECHNIK PHILIPPINES, INC.
SUMMARIZED INTERIM STATEMENTS OF INCOME
in PHP

	January to March (UNAUDITED)	
	2020	2019
REVENUE		
Core Revenue	P 2,337,299,236	P 2,425,498,544
Subcon/Reimbursement	1,286,644,991	672,252,881
TOTAL REVENUE	3,623,944,227	3,097,751,424
LESS: COST OF SALES	1,857,303,325	1,190,107,894
GROSS PROFIT	1,766,640,902	1,907,643,530
LESS: OPERATING EXPENSES	1,520,854,895	1,323,444,230
INCOME FROM OPERATIONS	245,786,007	584,199,300
LESS/ (ADD): OTHER CHARGES/(INCOME)	79,537,537	90,430,181
INCOME BEFORE INCOME TAX	166,248,470	493,769,119
LESS: PROVISION FOR INCOME TAX	21,860,298	42,234,060
NET INCOME	P 144,388,172	P 451,535,059

**SUMMARIZED INCOME STATEMENT INFORMATION FOR
UNCONSOLIDATED SUBSIDIARY**

**CEBU PACIFIC CATERING SERVICES
SUMMARIZED STATEMENTS OF INCOME**
In Pesos

	January to March	
	<u>UNAUDITED</u> 2020	<u>UNAUDITED</u> 2019
REVENUE	P 58,868,440	P 78,159,149
LESS: COST OF SALES	35,094,971	46,468,524
GROSS PROFIT	23,773,469	31,690,625
LESS: OPERATING EXPENSES	4,648,860	4,712,027
INCOME FROM OPERATIONS	19,124,609	26,978,598
LESS/ (ADD): OTHER CHARGES/(INCOME)	(56,028)	(50,333)
INCOME BEFORE INCOME TAX	19,180,637	27,028,931
LESS: PROVISION FOR INCOME TAX	1,214,787	1,622,010
NET INCOME	P 17,965,850	P 25,406,921
EQUITY SHARE IN NET INCOME (40%)	P 7,186,340	P 10,162,769

**SUMMARIZED INCOME STATEMENT INFORMATION FOR
UNCONSOLIDATED SUBSIDIARY**

JAPAN AIRPORT SERVICE CO., LTD.
SUMMARIZED STATEMENTS OF INCOME
 In PHP

	January to March	
	<u>UNAUDITED</u> 2020	<u>UNAUDITED</u> 2019
REVENUE	P 556,088,848	P -
LESS: COST OF SALES	521,875,003	-
GROSS PROFIT	34,213,845	-
LESS: OPERATING EXPENSES	26,323,242	-
INCOME FROM OPERATIONS	7,890,603	-
LESS/ (ADD): OTHER CHARGES/(INCOME)	2,003,396	-
INCOME BEFORE INCOME TAX	5,887,207	-
LESS: PROVISION FOR INCOME TAX	5,636,978	-
NET INCOME	P 250,229	P -
EQUITY SHARE IN NET INCOME (30%)	P 75,069	P -

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Business Operations

Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and changed its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020. However, under the Revised Corporation Code of the Philippines, MAC shall have perpetual corporate life. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

Business Operations

The principal activities of the Parent Company and its subsidiaries (collectively referred to as the "MacroAsia Group", "the Group") are described in Note 4. The Parent Company, through its subsidiaries and associates, is presently engaged in aviation-support businesses at 27 airport locations in the Philippines. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MacroAsia Catering Services, Inc. (MACS), the Parent Company, is now providing the food requirements of some passenger terminal lounges in NAIA. It has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Further, considering the expertise of staff gained through the exploration of the Parent Company's Infanta Nickel Project in Palawan, the Parent Company provided nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC). Through MacroAsia Properties Development Corporation (MAPDC), the Parent Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Parent Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

On February 5, 2020, the Philippine Securities and Exchange Commission (SEC) approved the change of Airport Specialists' Services Corporation (ASSC) registered name to Allied Water Services, Inc. (AWSI) also pursuing subsequent water-related projects.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity investments held at fair value through other comprehensive income (FVTOCI), which are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱), the Parent Company's functional and presentation currency. Amounts are rounded to the nearest thousands unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements for the period ended March 31, 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2019.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2020. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Group, if any.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

These amendments had no impact on the Group's consolidated financial statements.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2021. The Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Since the Group is not involved in insurance business, this standard is not relevant to the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a

business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group, its direct subsidiaries, the subsidiaries of MACS, MAPDC, Boracay Tubi Systems Inc. (BTSI) and the subsidiary of MMC, Watery Business Solutions, Inc. (WBSI) and Airport Specialists' Services Corporation (ASSC), which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) as of March 31, 2020 (unaudited) and December 31, 2019 (audited).

	Nature of business	Percentage of Ownership by MAC				Percentage of Direct Ownership by MACS/MAPDC/WBSI/BTSI/MMC/ASSC	
		2020		2019		2020	2019
		Direct	Indirect	Direct	Indirect		
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	80 ⁽⁹⁾	–	80 ⁽⁹⁾	–	–	–
MacroAsia Catering Services Corporation (MACS)	In-flight and other catering services	67	–	67	–	–	–
MacroAsia SATS Food Industries (MSFI) ⁽⁸⁾	Meal production and food processing	–	67	–	67	100	100
MacroAsia SATS Inflight Services Corporation (MSISC) ⁽⁸⁾	Meal production and food processing	–	67	–	67	100	100
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	100	–	100	–	–	–
MacroAsia Properties Development Corporation (MAPDC)	Economic Zone developer/operator and water supply	100	–	100	–	–	–
SNV Resources Development Corporation (SNVRDC)	Water treatment and distribution	–	100	–	100	100	100
Boracay Tubi System, Inc. (BTSI) ⁽³⁾	Water treatment and distribution and construction of sewage treatment plant	–	67	–	67	67	67
MONAD Water and Sewerage Systems, Inc. (MONAD) ⁽³⁾	Water sewerage treatment	–	53.6	–	53.6	80	80
New Earth Water System, Inc. (NEWS) ⁽³⁾	Water projects	–	67	–	67	100	100
Naic Water Supply Corporation (NAWASCOR) ⁽⁴⁾	Water distribution	–	100	–	100	100	100
Mabini Pangasinan Resources Development Corporation (MPRDC) ⁽²⁾	Water projects	–	100	–	100	100	100
Panay Water Business Resources, Inc. (PWBRI) ⁽²⁾	Water projects	–	90	–	90	90	90
Watery Business Solutions, Inc. (WBSI)	Water projects	–	90	–	90	90	90

<i>(Forward)</i>								
Cavite Business Resources Inc. (CBRI)	Water projects	–	51	–	51	51	51	51
First Aviation Academy, Inc. ⁽⁵⁾	Aviation school	–	51	–	51	51	51	51
Allied Water Services, Inc. (AWSI) ⁽¹⁾	Water sewerage treatment and water projects operator	100	–	100	–	–	–	–
AlliedKonsult Eco Solutions Corporation ⁽²⁾	Water treatment	–	51	–	51	51	51	51
Cavite AlliedKonsult Services Corporation ⁽²⁾	Water projects	–	51	–	51	51	51	51
Summa Water Resources Inc. (SWRI) ⁽⁶⁾	Water treatment and equipment lease	–	60	–	60	60	60	60
MacroAsia Mining Corporation (MMC)	Mine exploration, development and operation	100	–	100	–	–	–	–
Bulawan Mining Corporation	Mine operation, development and utilization	–	100	–	100	100	100	100
MMC Management and Development Corporation	Mine operation, development and utilization	–	100	–	–	100	–	–

(1) Resumes operation as holding company of newly acquired water companies

(2) No commercial operations as of December 31, 2019

(3) Ownership interest effective December 2, 2016

(4) Ownership interest effective August 1, 2017

(5) Incorporated on December 5, 2017 and started commercial operations on May 19, 2019

(6) Ownership interest effective October 1, 2018

(7) Ownership interest effective November 15, 2018

(8) Started commercial operations on March 16, 2019

(9) Change in ownership interest starting December 5, 2019

(10) Ownership interest effective March 2, 2020

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary

and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's "other reserves". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.

3. Significant Judgments and Accounting Estimates

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

Determination of the Group's functional currency

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currencies of LTP and JASCO, the Group's associated companies, has been determined to be US\$ and JPY, respectively.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currency of LTP, one of the Group's associated companies, has been determined to be US\$ and JASCO has been determined to be Japanese Yen (JPY).

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of the timing of satisfaction of performance obligation*
In-flight and other catering, ground handling and aviation, and water services
The Group assessed that performance obligation for inflight and other catering, except for dry store and beverage, ground handling and aviation and water services are rendered to the customers over time. As a result, the Group's revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

Sale of dry store and beverage

The Group assessed that performance obligation for sale of dry store and beverage are satisfied at a point in time. The Group uses its judgment on when a customer obtains control of the promised goods. The Group has assessed that the actual

delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

- *Allocation of total transaction price between construction and operation and maintenance of STP*

Management determined that the contractually agreed price for construction of STP does not depict the amount the Group expects to receive for the performance obligation as the costs of STP are also expected to be recovered through the fees from operation and maintenance. Accordingly, the Group determined that the total transaction price of construction and operation and maintenance (i.e., the performance obligations) of STP needs to be allocated. This required the estimation of each of the performance obligation's stand-alone selling prices based on expected value method. The Group estimates consideration from the construction of STP based on expected gross margin. On the other hand, the Group estimates the variable consideration from operation and maintenance of STP based on the historical patterns of water consumption and room capacity of the Group's customers.

Assessment of control or significant influence over the investee

The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances which indicate that the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of March 31, 2020 and December 31, 2019, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

Assessment of operators under Philippine Interpretation IFRIC 12

Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group has the right (license) to charge users of public service.

Classification of leases - the Group as a lessor

The Group has entered into short-term leases, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

Determining the lease term of contracts with renewal and termination options - Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be

exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases which are renewable at the option of the lessee. The Group typically exercises its option to renew for these leases because of significant permanent improvement introduced in the leased premises. The renewal periods for leases are not included as part of the lease term if option to renew is at lessor's discretion or leases which renewal depends on mutual consent of contracting parties as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Contingencies

The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the Group's consolidated financial statements. Accordingly, no provision has been recognized for these contingencies. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims.

Estimates and Assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

Determination of fair values in business combination and goodwill

The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date.

On acquisition of the investment in JASCO, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets

and liabilities is accounted for either as goodwill included in the carrying amount of the investment relating to an associate or a joint venture or as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

On the acquisition of NAWASCOR and SWRI, any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss.

As of March 31, 2020, investment in JASCO amounted to ₱853.8 million which includes a provisional goodwill amounting to ₱799.1 million.

In 2019 and 2018, management finalized the purchase price allocation of the acquisition of SWRI in 2018 and NAWASCOR in 2017 which resulted in recognition of goodwill amounting to ₱27.4 million and ₱36.9 million, respectively.

Determination of fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the parent company balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments.

Leases - estimating the incremental borrowing rate

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

Provision for expected credit losses (PFRS 9)

The Group uses a provision matrix to calculate ECLs for financial assets at amortized cost. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group has a segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and credit risk management policies to identify defaulting customers using observable inputs such as historical loss rates, recoveries and write offs. The Group has also applied forward-looking information for its overlay through statistical test and corroboration using publicly available information.

The Group's receivables, net of allowance for the expected credit losses of ₱15.9 million and ₱15.5 million, amounted to ₱3,147.7 million and ₱1,925.7 million as of March 31, 2020 and December 31, 2019, respectively.

Determination of NRV of inventories

The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age of the inventories and Company's experience on write-off and expirations.

The Group did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2020, 2019 and 2018.

The Group's inventories carried at cost as of March 31, 2020 and December 31, 2019 and amounted to ₱112.67 million and ₱106.0 million, respectively.

Estimating allowances for probable losses on input taxes and TCCs

The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of March 31, 2020 and December 31, 2019, the carrying value of input taxes and TCCs amounted to ₱483.98 million and ₱446.90 million, respectively. Allowance for probable losses amounted to ₱27.79 million and ₱24.70 million as of March 31, 2020 and December 31, 2019.

Determination of fair value of investment property

The fair value of the Group's investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of March 31, 2020 and December 31, 2019, the fair value of the investment property is based on valuation performed by an accredited and independent valuer. The carrying value of the investment property amounted to ₱143.9 million as of March 31, 2020 and December 31, 2019.

Estimation of useful lives of property and equipment

The Group estimates the useful lives of property, plant and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property, plant and equipment is dependent on the grant of certain permits to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property, plant and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property, plant and equipment in 2020 and 2019.

The carrying value of property and equipment subject to depreciation as of March 31, 2020 and December 31, 2019 amounted to ₱1,772.8 million and ₱2,095.6 million, respectively.

Estimation of useful life of service concession right

At the start of operation of the water work facilities, the service concession right is to be amortized over the concession period as provided in the agreements with relevant government units. The amortization period is reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. In 2018, NAWASCOR was granted additional concession period of 15 years by the Municipality of Naic, Cavite. Accordingly, NAWASCOR changed the useful life of its service concession right from 25 years to 40 years. The carrying value of the service concession right amounts to ₱420.3 million and ₱424.6 million as of March 31, 2020 and December 31, 2019, respectively.

Estimation of useful life of intangible assets acquired as part of business combination

The assigned useful lives of intangible assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. There were no changes in the estimated useful lives of customer contract and relationships, while right to use asset is assessed to have indefinite useful life due to minimal efforts required to renew certain permits to extract and distribute water in relevant provinces based on past experience.

The carrying value of the customer contract and relationships amounted to ₱60.8 million and ₱61.6 million as of March 31, 2020 and December 31, 2019, respectively. The carrying value of the right to use asset amounted to ₱112.2 million and ₱112.6 million as of March 31, 2020 and December 31, 2019.

Determination of impairment indicators and impairment testing of nonfinancial assets
Nonfinancial assets other than goodwill and intangible assets with indefinite life

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets other than goodwill and intangible assets with indefinite life (i.e., investments in associates, property, plant and equipment, right-of-use assets, investment property, service concession right, intangible assets, deferred project costs, deferred mine exploration costs) may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

If such indication exists, the Group performs impairment testing to estimate the recoverable amount of the related asset. Management determined certain facts which indicate impairment of the service concession right which required impairment testing as of March 31, 2020.

The carrying values of the nonfinancial assets are as follows:

	2020	2019
Investments in associates	₱2,217,760,411	₱1,817,746,491
Property, plant and equipment	2,584,669,768	2,195,068,505
Investment property	143,852,303	143,852,303
Service concession right	420,264,400	409,695,922
Deferred project costs	57,013,350	56,813,350
Deferred mine exploration costs	20,418,948	20,418,948

For the purpose of impairment testing of SNVRDC's service concession right, recoverable amount is determined based on the value-in-use using cash flow projections based on financial budgets as approved by management covering 20 years of projections, coterminous to the term of the concession agreement with the Municipality of Solano. The projected cash flows are based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth based on management's future plans. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used is 8.5% in 2019. Based on the impairment test, the recoverable amount of the service concession right exceeds its carrying value. Management believes that any reasonable possible change in any of the assumptions used would not cause the carrying value to exceed its recoverable amount.

Goodwill and intangible assets with indefinite life

For goodwill and intangible assets with indefinite useful life, the Group performs impairment testing at least on an annual basis or more frequently, if events or changes in

circumstances indicate that it may be impaired. For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR, SWRI and MACS in 2019 and 2018 as the cash generating units.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used ranges 8.4% to 9.0% in 2020 and 2019.

The carrying value of goodwill subjected to impairment testing, except for goodwill arising from SWRI acquisition, amounted to ₱127.8 million as of March 31, 2020 and December 31, 2019.

For the right to use of water permits, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on a five-year projection. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while the discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The royalty rate applied is 1.6% while pre-tax discount rates used range from 8.4% and 17.0% in 2020 and 2019.

The carrying value of right to use asset amounted to ₱112.2 million and ₱112.6 million as of March 31, 2020 and December 31, 2019, respectively.

Management believes that no reasonably possible change in any of the assumptions used would cause the carrying values of the goodwill and right to use asset to exceed their recoverable amounts. Based on management's assessment, the recoverable amounts of these assets are higher than their carrying values, thus no impairment loss was recognized.

Impairment of deferred mine exploration costs

For deferred mine exploration costs, the Group considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. The recovery of deferred mine exploration costs depends upon the success of exploration activities, the discovery of recoverable reserves in quantities that can be commercially produced and future development of the mining properties, including grants of necessary permits.

While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine exploration costs relating to Infanta Nickel Project. In 2016, the Company recognized provision for probable losses amounting to ₱212.9 million which management believes still appropriate in view of its long outstanding applications to renew the exploration permits of its MPSAs in Palawan.

Estimation of retirement benefits costs and obligation, and accumulating leave credits

The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement and other employee benefits payable amounted to ₱94.7 million and ₱93.1 million as of March 31, 2020 and December 31, 2019, respectively. Pension asset amounted to ₱1.7 million as of March 31, 2020 and December 31, 2019, respectively, and is included under “Other noncurrent assets” account.

Estimation of provisions for probable loss

The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company’s legal counsel and is based upon an analysis of potential results. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed as it may prejudice the Company’s negotiation with the third party.

LTP, on the other hand, has recognized provisions as of March 31, 2020 and December 31, 2019, which relate to certain claims by third parties. LTP’s management exercised significant judgment in assessing the probability of the claims based on historical experience.

Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions

about the Group's future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT over RCIT.

Deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱45.75 million and ₱51.89 million as of March 31, 2020 and December 31, 2019, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates.

The operations of Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS and its subsidiary, MSFI, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.
- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at 27 airport locations.
- Charter flights segment, which is handled by MAATS, provided international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners. Beginning August 22, 2016, MAATS ceased operating its helicopter charter and is now focused on its Fixed Base Operations (FBO) revenue generating activities.
- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.
- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.
- Water segment pertains to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (NAWASCOR, SNVRDC, MPRDC, PWBRI, WBSI and its subsidiary, CBRI and BTSI and its subsidiaries, MONAD and NEWS) and ASSC through its subsidiary, SUMMA.
- Associates, which represents the Group's investments in associates that are accounted for using the equity method.

The Group has only one geographic segment. There were no inter-segment sales as of March 31, 2020. Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets, and property, plant and equipment, net investment in the lease, and right-of-use assets, net of allowances, depreciation and amortization and any impairment in value.

Segment liabilities include all operating liabilities and consist principally of notes payable, accounts payable and accrued liabilities, and lease liabilities. Segment assets and liabilities do not include deferred income tax. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the period ended March 31, 2020 and 2019 are as follows:

(In Thousand Pesos)

	January to March	
REVENUE – External	2020	2019
In-flight and other catering	639,850	447,236
Ground handling and aviation	626,685	473,585
Rental and administrative	7,273	47,720
Aviation training fee	10,364	
Charter flights	-	-
Water	83,640	84,304
Exploratory drilling fees	3,486	
Total segment and consolidated revenue	1,371,298	1,052,845
RESULT – Segment result		
In-flight and other catering services	49,135	90,937
Ground handling and aviation	3,384	39,324
Rental and administrative services	(15,999)	(10,500)
Charter flights service	1,127	1,135
Aviation training	(4,531)	-
Water	5,198	(5,939)
Mining	(4,454)	(5,020)
Share in net income (loss) of associates	78,012	231,415
Total segment results	111,870	341,352
Unallocated corporate income (expenses) and eliminations	(67,169)	(93,082)
Provision for income tax	(27,123)	(33,321)
Consolidated net income (loss)	17,579	214,949

(In Thousand Pesos)

	Mar-20	Dec-19
OTHER INFORMATION		
Segment assets		
In-flight and other catering services	2,575,550	2,550,289
Ground handling and aviation	1,034,478	903,631
Rental and administrative services	2,935,480	2,935,738
Charter flights service	37,976	37,733
Investment in associates	2,217,760	3,087,533
Aviation training	247,135	260,290
Water	1,759,435	1,699,326
Mining	28,242	32,494
Total segment assets	10,836,056	11,507,034
Investment property	143,852	143,852
Deferred tax asset	45,748	51,898
Unallocated corporate assets and eliminations	1,367,015	785,185
Consolidated total assets	12,392,672	12,487,969

Segment liabilities		
In-flight and other catering services	1,676,462	1,691,551
Ground handling and aviation	1,417,639	1,287,995
Rental and administrative services	2,809,177	2,794,299
Aviation training	244,114	253,158,224
Charter flights service	10,669	11,163
Water	1,412,822	1,353,531
Mining	23,697	24,278
Total segment liabilities	7,594,580	7,415,974
Deferred tax liabilities	139,503	142,800
Unallocated corporate liabilities and eliminations	(1,785,770)	(1,908,649)
Consolidated total liabilities	5,948,313	5,650,126

Capital expenditures	January to March	
	2020	2019
In-flight catering services	20,713	39,443
Ground handling and aviation	5,213	96,204
Rental and administrative services	7,067	706
Charter flights service	-	-
Aviation training	268	-
Water	57,284	31,840
Mining	441	883
Unallocated corporate capital expenditures	-1,396	20,880
Total	89,590	189,956

Depreciation & amortization		
In-flight catering services	22,640	11,987
Ground handling and aviation	19,648	15,878
Rental and administrative services	12,810	1,225
Charter flights service	-	-
Aviation training	3,424	-
Water-related projects	14,724	17,768
Mining	1,190	1,391
Unallocated corporate depreciation and amortization	3,804	1,831
Total	78,241	50,081

5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

<i>(In thousand pesos except earnings per share)</i>	Mar-20	Dec-19	Mar-19
Net income attributable to equity holders of the parent	9,742	1,129,066	208,223,771
Divided by weighted average number of common shares	1,575,799	1,584,023	1,591,352
	0.01	0.71	0.13

6. Equity

a. Restriction on retained earnings of the Group

The retained earnings as of March 31 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱2,603.9 million and ₱1,645.0 million as of March 31, 2020 and December 31, 2019, respectively.
- Cost of treasury shares amounting to ₱459.4 million and ₱426.8 million as of March 31, 2020 and December 31, 2019, respectively.
- Deferred income tax assets amounting to ₱45.8 million and ₱51.9 million as of March 31, 2020 and December 31, 2019, respectively.

b. Appropriation of retained earnings

As of December 31, 2016 and 2017, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

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

On December 6, 2019, the MACS' BOD approved the release from appropriation of the ₱100.0 million appropriated in 2017 and 2016 for construction of an offsite commissary.

Further, the BOD approved the additional appropriation of ₱210.0 million for the construction of another offsite commissary, catering trucks, and facility equipment

upgrade in the next two years of the Company.

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

On March 20, 2018, MASCORP's BOD approved to appropriate another ₱50.0 million of the unappropriated retained earnings for business expansion program which is expected to run for three years effective December 31, 2017.

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

On March 7, 2019 and July 11, 2019, the MASCORP's BOD approved the additional appropriation of ₱50.0 million and ₱100.0 million, respectively of the unappropriated earnings for purposes of various investments to expand business of the Company which is expected to run for three years effective December 31, 2019.

- c. Cash dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

Date Approved	Per share	Stockholder of Record Date	Date of Payment
March 6, 2020	₱0.250*	April 3, 2020	May 4, 2020
March 14, 2019	₱0.200	April 12, 2019	May 10, 2019
December 13, 2017	₱0.140	January 5, 2018	January 31, 2018
December 14, 2016	₱0.080	January 6, 2017	February 1, 2017
December 14, 2015	₱0.075	January 4, 2016	January 28, 2016

* During the Special Board Meeting of the Corporation held on April 30, 2020, the Board of Directors approved the amendment of the Php 0.25/share cash dividends declared on March 6, 2020 to shareholders of record as of April 3, 2020 payable on May 4, 2020 to 20% stock dividends equivalent to 315,159,739 shares with any resulting fractional shares to be dropped, to be paid out from the unrestricted retained earnings of the Corporation as of December 31, 2019. The change was in consideration of the COVID-19 pandemic impact to the aviation business units. The stock dividend declaration is subject to the approval of the shareholders in its Annual Shareholders' Meeting to be held on July 17, 2020.

- d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or

widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

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

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

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

As of March 31, 2020, the Company has reacquired 42,347,600 shares for ₱459,418,212.

Movement in the Parent Company's outstanding shares follows:

	Issued	Treasury	Outstanding
As of December 31, 2009	1,250,000,000	–	1,250,000,000
Acquisition of treasury shares in 2010	–	(2,985,000)	(2,985,000)
As of December 31, 2010	1,250,000,000	(2,985,000)	1,247,015,000
Acquisition of treasury shares in 2011	–	(7,486,000)	(7,486,000)
As of December 31, 2011	1,250,000,000	(10,471,000)	1,239,529,000
Acquisition of treasury shares in 2012	–	(6,125,000)	(6,125,000)
As of December 31, 2014, 2015 and 2016	1,250,000,000	(16,596,000)	1,233,404,000
Acquisition of treasury shares in 2017	–	(6,249,600)	(6,249,600)
As of December 31, 2017	1,250,000,000	(22,845,600)	1,227,154,400
Stock dividend declaration	368,146,293	–	368,146,293
Acquisition of treasury shares in 2018	–	(3,949,100)	(3,949,100)
As of December 31, 2018	1,618,146,293	(26,794,700)	1,591,351,593
Acquisition of treasury shares in 2019	–	(12,845,600)	(12,845,600)
As of December 31, 2019	1,618,146,293	(39,640,300)	1,578,505,993
Acquisition of treasury shares in 2020	–	(2,707,300)	(2,707,300)
As of March 31, 2020	1,618,146,293	(42,347,600)	1,575,798,693

e. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Parent Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange, Inc. authorized to list the Parent Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

- i.
- i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
- ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
- iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
- iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and it has approximately 845 and 845 holders of its common equity as of March 31, 2020 and December 31, 2019, respectively.

f. Cash dividends received by non-controlling interest are as follows:

Entity	Date Declared	Amount	Per share	Dividends attributable to non-controlling interest (SATS)
MACS	December 27, 2019	₱80,000,000	₱64.0	₱26,400,000
MACS	December 6, 2018	75,000,000	60.0	24,750,000
MACS	November 28, 2017	70,000,000	56.0	23,100,000
MACS	December 8, 2016	50,000,000	40.0	16,500,000

g. Acquisition of non-controlling interest

The sale of 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP to Konoike amounting to ₱1.1 billion (JPY 2.3 billion) was accounted for as a sale of share in subsidiary without loss of control, thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱886.8 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

In December 2015, MAPDC entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction. The excess of consideration received over the Company amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of “Other reserves” in the equity section of the balance sheets.

In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of “Other reserves” in the equity section of the balance sheets.

7. Capital Management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of March 31, 2020 and December 31, 2019. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2019 and for the three-month period ended March 31, 2020.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

	31-Mar-20	31-Dec-19	31-Mar-19
Capital stock	1,618,146,293	1,618,146,293	1,618,146,293
Additional paid in capital	281,437,118	281,437,118	281,437,118
Treasury shares	(459,418,212)	(426,826,835)	(176,215,402)
Retained earnings	3,697,067,826	4,081,275,526	3,418,440,647
	5,137,233,025	5,554,032,102	5,141,808,656
Net income after tax	17,579,088	1,194,026,073	214,948,523
Return on equity	0.34%	21.50%	4.18%

8. Financial Risk Management Objectives and Policies

Risk Management Structure

Audit Committee

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

Risk Management Committee

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

Board of Directors

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

Financial Risk Management

The Group's principal financial instruments is comprised of cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Foreign currency risk

The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately 71% of MACS' and 14% of MASCORP's revenue are denominated in US\$ as of March 31, 2020. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations.

The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US\$, with all other variables held constant:

<i>(in millions)</i>	Movement in US\$	Increase (decrease) on Income/Loss before Income Tax US\$
2020	Increase of 5%	17.5
	Decrease of 5%	(17.5)
2019	Increase of 5%	21.2
	Decrease of 5%	(21.2)
2018	Increase of 5%	18.0
	Decrease of 5%	(18.0)

Credit and concentration risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis. The Group has major concentration of credit risk given that the majority of the Group's cash and cash equivalents are deposited in the local affiliated bank and major customers of MASCORP and MSISC include PAL and APC. As of March 31, 2020 and December 31 2019, the related party which comprise the significant portion of the Group's total receivable has a negative working capital and has been incurring losses resulting to a deficit. Management assessed and believes that the carrying amount of the trade receivable from related parties are collectible and that the Group is not exposed to any significant risk since these companies are related parties. Further, the local affiliated bank is one of the country's reputable banks.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

For cash in bank, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product (GDP) growth rates
- Unemployment rates
- Inflation rates
- Interest rates
- Foreign currency exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The tables below show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired financial assets.

March 31, 2020	Current	Neither past due nor impaired				ECL	Total
		Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
<i>Loans and receivable:</i>							
Cash in bank and cash equivalents*	733,078,150	-	-	-	-	-	733,078,150
<i>Receivables:</i>							
Trade	1,647,541,348	349,874,070	72,925,796	267,222,054	646,427,324	(15,894,635)	2,968,095,957
Dividends receivable	-	-	-	-	-	-	-
Due from officers and employees	25,380,064	-	-	-	-	-	25,380,064
Interest receivable	2,279,004	-	-	-	-	-	2,279,004
Other receivables	121,822,391	-	-	-	-	-	121,822,391
Non-Trade	30,150,496	-	-	-	-	-	30,150,496
Deposits	42,900,711	-	-	-	-	-	42,900,711
Restricted cash investment	7,181,182	-	-	-	-	-	7,181,182
Contract Assets	20,815,397	-	-	-	-	-	20,815,397.29
Installment receivables	52,097,618	-	-	-	-	-	52,097,618.19
Finance lease receivable	20,263,478	-	-	-	-	-	20,263,478.01
	<u>2,703,509,840</u>	<u>349,874,070</u>	<u>72,925,796</u>	<u>267,222,054</u>	<u>646,427,324</u>	<u>(15,894,635)</u>	<u>4,024,064,449</u>

*Exclusive of cash on hand amounting to P4,113,647 as of March 31, 2020.

December 31, 2019	Current	Past due				ECL	Total, net of ECL
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
<i>Financial assets:</i>							
Cash in bank	1,209,362,783	-	-	-	-	-	1,209,362,783
Trade receivables	1,001,692,174	212,720,681	44,338,310	162,468,906	408,549,759	(15,527,033)	1,814,242,797
Dividends receivable	-	-	-	-	-	-	0
Due from officers and employees	20,943,058	-	-	-	-	-	20,943,058
Interest receivable	2,279,004	-	-	-	-	-	2,279,004
Other receivables	80,983,439	-	-	-	-	-	80,983,439
Deposits	42,714,608	-	-	-	-	-	42,714,608
Restricted cash investment	7,181,182	-	-	-	-	-	7,181,182
Contract assets	20,815,397	-	-	-	-	-	20,815,397
Installment receivables	60,515,346	-	-	-	-	-	60,515,346
Finance lease receivable	14,153,823	-	-	-	-	-	14,153,823
	<u>2,460,640,814</u>	<u>212,720,681</u>	<u>44,338,310</u>	<u>162,468,906</u>	<u>408,549,759</u>	<u>-15,527,033</u>	<u>3,273,191,437</u>

Impairment assessment

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis for all stage 3 assets, regardless of the class of financial assets. Stage 1 and stage 2 assets are assessed on a collective basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The Group considers its cash and cash equivalents (including restricted cash investment) as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to cash and cash equivalents rounds to zero. The Group considers its dividend receivables as high grade as these are due from an associate who has strong capacity to pay; thus LGD is considered low and no ECL is recognized. The Group considers its advances to officers and employees as standard grade as collectability is assured through

salary deduction. Accordingly, the LGD is considered low; thus, no ECLs are recognized on the advances to employees.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows.

Management closely monitors the behavior of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The following table sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel challenges in the interest rate curve in terms of basis points (bp) as of March 31, 2020, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

	Increase (decrease) in income before income tax March 31, 2020 <i>(in millions)</i>	Increase (decrease) in income before income tax December 31, 2019
100 bp rise	(P18.22)	(P14.51)
100 bp fall	18.22	14.51
50 bp rise	(9.11)	(7.26)
50 bp fall	9.11	7.26

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and short-term bank loans.

In addition, MASCORP has an omnibus line of credit for P100.0 million (or USD equivalent) and bills purchase line for P10.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

As of March 31, 2020	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	737,191,797	-	-	-	737,191,797
Receivables:					
Trade	2,968,095,957	-	-	-	2,968,095,957
Dividends receivable	-	-	-	-	-
Interest receivable	2,279,004	-	-	-	2,279,004
Installment receivable	-	13,892,698	20,839,047.79	17,365,873	52,097,618
Finance lease receivable	380,566	1,433,133	2,354,091	16,095,688	20,263,478
Deposits	-	-	-	42,900,711	42,900,711
	3,707,947,324	15,325,830	23,193,139	76,362,272	3,822,828,565
Other financial liabilities:					
Accounts payable and					
accrued liabilities	1,667,628,611	-	-	-	1,667,628,611
Notes Payable	530,132,052	183,038,730	183,518,730	345,204,687	1,241,894,199
Long-term debts	575,000,000	-	-	-	575,000,000
Dividends payable	429,877,693	-	-	-	429,877,693
Deposit	-	-	-	19,121,338	19,121,338
	3,202,638,356	183,038,730	183,518,730	364,326,025	3,933,521,841
Liquidity position	505,308,968	(167,712,900)	(160,325,591)	(287,963,753)	(110,693,276)

As of Dec. 31, 2019	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	1,219,639,428	-	-	-	1,219,639,428
Receivables:					
Trade	1,814,242,797	-	-	-	1,814,242,797
Interest receivable	2,279,004	-	-	-	2,279,004
Installment receivable*	-	16,137,425	24,206,139	20,171,782	60,515,346
Finance lease receivable**	399,917	1,506,004	2,473,791	16,914,113	21,293,825
Deposits***	-	-	-	42,714,608	42,714,608
	3,036,561,146	17,643,429	26,679,930	79,800,503	3,160,685,008
Other financial liabilities:					
Accounts payable and accrued					
liabilities****	1,593,157,424	-	-	-	1,593,157,424
Notes payable*****	575,000,000	-	-	-	575,000,000
Long-term debts	482,536,067	159,114,417	175,781,084	449,503,997	1,266,935,565
Lease liabilities	24,688,033	21,423,049	25,821,841	1,651,491,211	1,723,424,134
Dividends payable	35,928,020	-	-	-	35,928,020
Deposit*****	-	-	-	16,086,997	16,086,997
	2,711,309,544	180,537,466	201,602,925	2,117,082,205	5,210,532,140
Liquidity position	325,251,602	(162,894,037)	(174,922,995)	(2,037,281,702)	(2,049,847,132)

*Gross of unearned interest income of P912,267. The current portion amounting to P12,172,159 is presented under trade

**Gross of unearned interest income of P6,109,655 exclusive of P541,128 included under trade.

*** Gross of unearned interest income of P19,514,515. Presented as part of "Other noncurrent assets".

**** Exclusive of nonfinancial liabilities of P157,756,496.

***** Inclusive of interest to maturity of P102,830,011.

***** Inclusive of accretion of interest of P9,933,244. Presented as part of "Other noncurrent assets".

9. Fair Value of Financial Instruments

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of March 31, 2020 and December 31, 2019:

As at 31 March 2020		Fair value measurements using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	Date of valuation	Carrying value			
Assets measures at fair value:					
Equity instruments designated at FVTOCI	March 31, 2020	76,155,800	-	76,155,800	-
Assets for which fair value is disclosed:					
Installment receivables		52,097,618	-	-	52,097,618
Finance lease receivable		20,263,478	-	-	20,263,478
Investment property	March 31, 2020	143,852,303	-	-	143,852,303
Deposits		42,900,711	-	-	42,900,711
Liabilities for which fair value is disclosed					
Long term debts	March 31, 2020	1,241,894,199	-	1,241,894,199	-
Deposits		19,121,338	-	-	19,121,338
As at 31 December 2019					
		Fair value measurements using			
	Date of valuation	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measures at fair value:					
Equity instruments designated at FVTOCI	December 31, 2019	76,138,300	-	76,138,300	-
Assets for which fair value is disclosed:					
Installment receivables		60,515,346	-	-	60,515,346
Finance lease receivable		14,153,823	-	-	14,153,823
Investment property	December 31, 2019	143,852,303	-	-	261,096,000
Deposits		42,714,608	-	-	42,714,608
Liabilities for which fair value is disclosed					
Deposits	December 31, 2019	16,086,997	-	-	16,086,997
Long term debts		1,266,935,565	-	1,266,935,565	-

The Group determined that its investment in golf club shares is categorized at Level 2 in the fair value hierarchy. The Group assessed that, while there is a market for these securities, transactions are infrequent.

There have been no transfers between Level 1 and 2 in 2020 and 2019.

Cash and cash equivalents, receivables, accounts payables, accrued liabilities and notes payable

The carrying values of cash and cash equivalents, receivables and accounts payable, accrued liabilities, dividend payables and notes payable approximate their fair value due to their short-term nature.

Installment receivables and deposits

The carrying values of installment receivables and deposits are determined based on the present value of expected cash flows discounted at the Group's borrowing rate.

Dividends payable

The carrying value of dividends payable approximates its fair value since they are expected to be settled within a short period of time after its declaration.

Long-term debts

The carrying value of long-term debts approximate its fair value due to the re-pricing feature of the interest it carries.

Equity instruments designated at FVTOCI

The Group's investments in golf club share and other proprietary shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

Investment property

The Philippine SEC-accredited and independent appraiser used the "Market Data Approach" in valuing the property. The Group has determined that the highest and best use of the property is its current use (i.e., industrial purpose).