PAXYS

18 November 2020

THE PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
6th Floor PSE Tower
One Bonifacio High Street
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Subject: 2019 Definitive Information Statement

Gentlemen:

Enclosed herewith is our 2019 Definitive Information Statement for the Annual Stockholders' Meeting on 10 December 2020, which was filed with the Securities and Exchange Commission on 17 November 2020.

We trust that you will find the attached document in order.

Very truly yours,

PAXYS, INC.

By:

MAYETTE H. TAPIA
Corporate Information Officer

PAXYS

16 November 2020

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

Attention: **Dir. Vicente Graciano P. Felizmenio, Jr.**
Market Securities Regulation Department

Subject: Definitive Information Statement
(SEC Form 20-IS)

Gentlemen:

In compliance with the Securities and Exchange Commission's ("SEC") SRC Rule 20 and in connection with Annual Stockholders' Meeting of **Paxys, Inc.** ("Company"), which will be held on 10 December 2020, we submit herewith our Definitive Information Statement ("DIS"), including the 2019 Audited Financial Statements and latest available Management Report for 2020.

We further provide our responses to the SEC's comments on the Preliminary Information Statement ("PIS") enclosed in the SEC Letter dated 5 October 2020, which we received on 29 October 2020 via email.

Checklist of Requirements	Page No.	Remarks	Response
COVER SHEET			
8. Date, time and place of the meeting of security holders	6	Indicate the link of the ASM schedule on December 10, 2020.	The Cover Sheet already provides for the link: www.paxys.com/ASM2020.html.
10. In case of Proxy Solicitation	6	Delete the word **Not Applicable** if the company will solicit proxy. And if the company will solicit proxy fill up ITEM II of the PIS.	The word "Not Applicable" is already deleted in the Cover Sheet.
B. Control and Compensation Information			
ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS			
As of each class entitled to vote, state the number of shares outstanding & the number of votes to which each class is entitled	8	Update Information to September 30, 2020.	The number of shares outstanding and the number of votes to which each class is entitled to vote as of 30 September 2020 have been updated. Please refer to page 8 of the DIS.
Furnish information required by Part IV paragraph (C) of "Annex C"			
(1) Securities Ownership of Certain Record and Beneficial Owners of more than 5%:		Update Information to September 30,	The Securities Ownership of Certain Record and Beneficial Owners of more than 5% as of 30 September 2020 have

15th Floor • 6750 Ayala Office Tower
Ayala Avenue, Makati City, Philippines 1226
Tel No. (632) 8250-3800 • Fax No. (632) 8250-3801
www.paxys.com

(I) Title of class (2) Name, address (3) Name of Beneficial (4) Citizenship (5) No. of Shares (6) Percent of record owner Owner and Relationship Held and relationship with Record Owner with issuer		2020.	been updated. Please refer to page 8 of the DIS.
(2) Securities Ownership of Management			
(I) Title of Class (2) Name of Beneficial (3) Amount and Nature (4) Citizenship (5) Percent Owner of beneficial ownership	9	Update Information to September 30, 2020.	The Securities Ownership of Management as of 30 September 2020 have been updated. Please refer to page 9 of the DIS.
ITEM 5. DIRECTORS & EXECUTIVE OFFICERS			
If action is with respect to election of directors			
Information required by Part I(C) of "Annex C"			
1. Brief Description of Any Material Pending Legal Proceedings to which the registrant or any of its subsidiaries is a party		Revise discussion most especially the last sentence it should be 2020-2021- instead of 2019-2020.	The discussion is already revised and updated with the last sentence changed to "2020-2021". Please refer to page 16 of the DIS.
2. Name of the Court or Agency in which the Proceedings is Pending			
3. Date of Institution			
4. Principal Parties			
5. Description of the Factual Basis Alleged to Underlie the Proceeding			
6. Relief Sought			
7. Similar Information as to any such proceedings known to be contemplated by Gov't authorities and any other entity			
Information required by Part IV paragraphs (A), (D) (1) and (D) (3) of "Annex C"			
(A)(I) Identify Directors, including Independent Directors and Executive Officers		**(I) The company is advised SEC Memo. Circular No. 4, Series of 2017 re: Term Limit of Independent Directors**, **(2)** Submit updated Certification on the Qualifications and Disqualification of	SEC Memo. Circular No. 4, Series of 2017 re: Term Limit of Independent Directors is noted and it is confirmed that the terms of the Company's Independent Directors are within the required limits.

PAXYS

		Independent Directors pursuant to **SEC Memo Circular No. 5, Series of 2017.**	
PART II.			
ITEM 1. IDENTIFICATION			
Name of person on whose behalf the solicitation is made and the person who shall vote in case of his absence during the meeting.		Not complied with	The information is updated to provide that the proxy is solicited by the Board of Directors and Management of the Corporation and that the solicited proxy shall be exercised by Mr. Tarcisio M. Medalla, President of the Corporation or the stockholder's authorized representative. Please refer to page 22 of the DIS.
ITEM 2. INSTRUCTION			
a. Manner in which the form shall be accomplished, including validation process must be clearly discussed.		Not complied with	The information is updated to provide the manner how the proxy form will be accomplished and how the shares represented by the proxy will be voted if no instructions are indicated on the returned and signed proxy form. Matters to be taken up during the meeting and the nominee directors to be elected are also indicated in the proxy form. Please refer to page 22 of the DIS and the proxy form.
b. Disclosure on how the form shall be voted upon in case the same is not properly exercised			
c. Matters to be taken up in the meeting must be enumerated opposite the boxes. Likewise, name/s of nominee director/s (if applicable) must be enumerated opposite the boxes.			
ITEM 3. REVOCABILITY OF PROXY			
State whether of not the person giving the proxy has the power to revoke it. If the right of revocation before the proxy is exercised is limited or is subject to compliance with any formal procedure, briefly describe such limitation or procedure.		Not complied with	The information is updated to provide that a stockholder may revoke his proxy on or before the date of the Annual Meeting. The proxy may be revoked by the shareholder's written notice to the Corporate Secretary advising the latter of the revocation of the proxy, or by a shareholder's personal attendance during the meeting. Please refer to page 23 of the DIS and the proxy form.
ITEM 4. PERSONS MAKING THE SOLICITATION			
(a) Solicitations not subject to paragraph 8 of SRC Rule 20			
State if solicitation is made by the registrant		Not complied with	The information is updated to provide that the solicitation is made by the Corporation and that no director has informed the Corporation in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting. In addition, solicitation of proxies will be done via email or any online manner. The estimated amount to be spent by the Corporation to solicit proxies for the Board of Directors is Php70,784.00 more or less. The cost of
Name of any director of the registrant who has informed the registrant in writing that he opposes any action intended to be taken by the registrant and indicate the action which he intends to oppose.			
State and give the names of the participants in the solicitation if it is done other than by the registrant			

If the solicitation is made other than by the use of mails, describe methods to be employed. IF made by specially engaged employees or paid solicitors, state:			solicitation will be borne by the Corporation. Please refer to page 23 of the DIS and the proxy form.
a. Material features of any contract or arrangement for such solicitation and identify the parties			
b. Cost or anticipated cost thereof.			
(a) Solicitations subject to paragraph 8 of SRC Rule 20			
State by whom solicitation is made and describe the methods employed and to be employed to solicit security holders		Disclose if any	Paragraph 8 of SRC Rule 20 is not applicable to the Corporation.
If regular employees of the registrant or any other participant in a solicitation have been or are to be employed to solicit, describe the class or classes of employees to be so employed, and the manner and nature of their employment for such purpose.			
If specially engaged employees, representatives or other persons have been or are to be employed to solicit, state:			
a. Material features of any contract or arrangement for such solicitation and identify the parties			
b. Cost or anticipated cost thereof.			
c. Approximate number of such employees or employees of any other person (naming such other person) who will solicit			
State the total amount estimated to be spent and the total expenditures to date for, in furtherance of, or in connection with the solicitation			
State by whom the cost solicitation will be borne. If by any person other than the registrant, state whether reimbursement will be sought from the registrant, and if so, whether the question of reimbursement will be submitted to a vote of security holders.			
If any such solicitation is terminated pursuant to a settlement between the registrant and by any other participant in such solicitation, describe the terms of such settlement, including the cost or anticipated cost thereof to the			

registrant			
Part III.			
MANAGEMENT REPORT			
(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). **Disclose the required information under subparagraph (2)(a)(I) to (viii) above.**		Attached Quarterly Report SEC Form 17Q period ended September 30, 2020.	Please find attached 3rd Quarter Report for the period ended September 30, 2020.
Market Price of and Dividends required by Part V of Annex C			
(I) Market Information			
(b) If the information called for by paragraph (A) of this Part is being presented, the document shall also include the price information as of the latest practicable trading date, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction.		Comply with the highlighted portion re: include the price information as of the latest practicable trading date	The high and low closing prices of the Company's shares for the 3rd quarter and the last traded price as of 30 September 2020 have been updated. Please refer to page 27 of the DIS.
(2) Holders			
(a) (i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing of report.		Update Information to September 30, 2020.	The Number of Holders of Each Class of Common Shares and the Top Twenty Shareholders of Each Class as of 30 September 2020 have been updated. Please refer to page 27 of the DIS.
(ii) Names of the Top Twenty (20) Shareholders of Each Class			

Copies of the Definitive Information Statement ("DIS"), including the 2019 Audited Financial Statements and latest available Management Report for 2020 and the 3rd Quarter Report for 2020 (SEC Form 17-Q), will be available on the Company's website. Notice of the Annual Stockholder Meeting will be published in the business section two (2) newspaper of general circulation, in print and online format for two (2) consecutive days starting on 16 November 2020 in compliance with SEC's Notice dated 20 April 2020 as an alternative mode for distributing and providing copies of the Notice of Meeting.

We trust that you will find the attached documents in order. We hope to receive the SEC's clearance on or before the distribution date.

Very truly yours,

PAXYS, INC.

By:

MAYETTE H. TAPIA
Corporate Secretary and Corporate Information Officer

COVER SHEET

6609

SEC Registration Number

PAXYS, INC.

(Company's Full Name)

15th Floor, 6750 Ayala Office Tower Ayala Avenue, Makati City

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

Atty. Mayette H. Tapia
(Contact Person)

(+632) 8250-3800
(Company Telephone Number)

DEFINITIVE INFORMATION STATEMENT

1 2	3 1
Month	*Day*

(Fiscal Year)

20-IS
(Form Type)

1 2	1 0
Month	*Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

714
Total No. of Stockholders

₱-	**₱-**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

PAXYS, INC.
15/F 6750 Ayala Office Tower, Ayala Avenue, Makati City

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To all Stockholders:

Please be advised that the annual meeting of the stockholders of PAXYS, INC., will be held on 10 December 2020 at 11:00 a.m. at Makati City. Due to the COVID-19 situation and for the health and safety of the stockholders, the meeting will be conducted virtually and may be accessed through the following link: www.paxys.com/ASM2020.html. The password to attend the meeting shall be provided by the Company to all stockholders of record as of October 31, 2020 or their proxies who have successfully registered to attend the meeting (Please refer to the registration procedure below).

The Agenda is as follows:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of previous Stockholders' Meeting
4. Management Report and Audited Financial Statements for the year ended December 31, 2019
5. Ratification of Previous Corporate Acts
6. Election of Directors
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

Only stockholders of record as of October 31, 2020 or their proxies shall be entitled to attend and vote at the virtual meeting. Stockholders who wish to attend the virtual meeting by remote communication or *in absentia* must register at www.paxys.com/ASM2020.html to attend and submit the supporting documents not later than the close of business on November 30, 2020.

Individual stockholders who wish to be represented at the virtual meeting by proxy must: (a) upload a copy of duly signed and accomplished proxy form (which may be downloaded from the website) in PDF, JPEG or similar format at the registration portal at www.paxys.com/ASM2020.html AND (b) submit the original of the duly signed and accomplished proxy by post or courier to the Office of the Corporate Secretary at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City not later than November 30, 2020. The Company shall validate the requests, and the proxies, and email to the stockholders and/or proxy holders the instructions and password on how to access the virtual stockholders' meeting.

If you own shares through your broker or your shares are lodged, please secure from your broker a duly signed and accomplished proxy form, which you or your broker must upload to the registration portal and submit to the Company in the same manner stated above and not later than November 30, 2020. Otherwise, the Company may not recognize you as a stockholder of record.

Corporate shareholders shall likewise be required to submit a secretary's certification attesting to the authority of the representative or proxy holder to attend and vote at the virtual stockholders' meeting. The same must be uploaded to the registration portal and submitted to the Company in the same manner stated above and not later than November 30, 2020. Otherwise, the Company may likewise not recognize you as a stockholder of record.

Validation of proxies will take place not later than December 4, 2020.

Pursuant to SEC Notice dated April 20, 2020, a copy of this Notice of meeting and accompanying annex containing a brief statement of the rationale and explanation for each item in the agenda, Definitive Information Statement, Management Report, SEC Form 17-Q, Proxy Form and other documents related to the meeting are available at the Company's website at www.paxys.com.

For any questions about the meeting, you may email to investor_relations@paxys.com.

Makati City, Metro Manila, Philippines, 13 November 2020.

MAYETTE H. TAPIA
Corporate Secretary

AGENDA
Details and Rationale

1. Call to order

The Chairman of the Board of Directors, Mr. Tarcisio M. Medalla, will call the meeting to order.

2. Proof of notice and certification of quorum

The Corporate Secretary, Atty. Mayette H. Tapia, will certify that copies of the Notice have been sent to all stockholders of record as of 31 October 2020, and whether the attendees represented at the meeting hold a sufficient number of shares for quorum to exist for the valid transaction of business.

3. Approval of the Minutes of Previous Stockholders' Meeting

Copies of the draft minutes have been distributed together with the Notice of Stockholders' Meeting and Information Statement.

The stockholders will be requested to approve the draft minutes. The following is the proposed resolution:

> *"**RESOLVED**, that the minutes of the Annual Stockholders' Meeting of Paxys, Inc. held on December 10, 2019 be, as it is hereby, approved."*

4. Management Report & Audited Financial Statements for the Year Ended 31 December 2019

The Chairman and President, Mr. Tarcisio M. Medalla, will present the report of the Management to the stockholders, discuss initiatives undertaken and challenges faced by the Company in 2019, and share his personal perspective of the Company's future.

The audited financial statements for the year ended 31 December 2019 were audited by the Company's independent auditors, Reyes, Tacandong & Co. and approved by the Company's Board of Directors. In compliance with the regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

Copies of the Management Report together with the audited financial statements for the year ended 31 December 2019 will be distributed to the shareholders together with the Definitive Information Statement.

Questions will be entertained from the stockholders after the presentation.

The stockholders will be requested to approve the Management Report and the audited financial statements for the year ended 31 December 2019. The following is the proposed resolution:

> *"**RESOLVED**, that the annual Management Report and the Corporation's audited financial statements for year ended December 31, 2019 be, as it is hereby, approved."*

5. Ratification of Previous Corporate Acts

The Company's performance was the result of the acts, contracts, resolutions and actions of the Board of Directors and Management of the Company, and the stockholders will be requested to ratify the same. The following is the proposed resolution:

*"**RESOLVED**, that all acts, contracts, resolutions and actions of the Board of Directors and Management of the Corporation from the date of the last annual stockholders' meeting up to the present be, as they are hereby, approved, ratified and confirmed."*

6. Election of Directors

The following individuals have been nominated as regular or independent directors and their respective nominations have been screened by the Nominations Committee:

For Regular Directors

1. TARCISIO M. MEDALLA
2. ROGER LEO A. CARIÑO
3. CHRISTOPHER B. MALDIA
4. LIM GHEE KEONG
5. ROBERTO A. ATENDIDO

For Independent Directors:

6. GEORGE EDWIN Y. SYCIP
7. JOSE ANTONIO A. LICHAUCO

Voting may be done in person or by proxy. Proxy forms have been distributed to all stockholders of record together with this Notice. Signed and accomplished proxy forms are required to be submitted not later than 5:00 p.m. of 30 November 2020 and shall be validated not later than 4 December 2020. Votes may be cumulated as provided in the Corporation Code.

7. Appointment of External Auditors

The proposal is to reappoint Reyes Tacandong & Co. as external auditor for the current year 2020-2021. The following is the proposed resolution:

*"**RESOLVED**, that the accounting firm of Reyes Tacandong & Co. be reappointed external auditors of the Company for the current year 2020-2021."*

8. Other Matters

Stockholders may propose to discuss other issues and matters.

9. Adjournment

After all matters in the Agenda have been taken up, the Chairman shall entertain a motion to adjourn the meeting.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
PRELIMINARY INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   __ Preliminary Information Statement
   _✓_ **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **PAXYS, INC.**

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

4. SEC Identification Number: **6609**

5. BIR Tax Identification Code: **000-233-218-000**

6. Address of principal office: **15th Floor 6750 Ayala Office Tower**
   Ayala Avenue,
   Makati City
   Postal Code **1226**

7. Registrant's telephone number, including area code: **(+632) 8250-3800**

8. Date, time and place of the meeting of security holders:
   Date: **December 10, 2020**
   Time: **11:00 AM**
   Via: www.paxys.com/ASM2020.html

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
   November18, 2020

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: **PAXYS, INC.**
    Address and Telephone No.: **15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City**
    (+632) 8250-3800

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

    a. Authorized Capital Stock

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	Php1.00	1,800,000,000	Php1,800,000,000.00

    b. No. of Common Shares Outstanding as of December 31, 2019:
    1,148,534,866
    c. Amount of Debt Outstanding as of December 31, 2019: **nil**

12. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes _✓_ No ____

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

    The Common Stock of the Company is listed at the Philippine Stock Exchange, Inc. (PSE)

PAXYS, INC.
INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Please be advised that the annual meeting of the stockholders of PAXYS, INC., will be held on 10 December 2020 at 11:00 a.m. at Makati City. Due to the COVID-19 situation and for the health and safety of the stockholders, the meeting will be conducted virtually and may be accessed through the following link: www.paxys.com/ASM2020.html. The password to attend the meeting shall be provided by the Company to all stockholders of record as of October 31, 2020 or their proxies who have successfully registered to attend the meeting

The complete mailing address of the principal office of the Registrant is 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City.

The approximate date when the information statement will be first sent to security holders will be on 18 November 2020.

Item 2. Dissenters' Right of Appraisal

There are no matters to be taken up during the annual stockholders' meeting with respect to which the law allows the exercise of the appraisal right by any dissenting stockholder. The Corporation Code limits the exercise of the appraisal right to the following instances:

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);

c. In case of merger or consolidation (Section 81);

d. In case of investments in another corporation, business or purpose (Section 42).

Since the matters to be taken up do not include any of the foregoing, the appraisal right will not be available.

However, if at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

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

The directors, officers, nominees for directors and their associates do not have a substantial interest, direct or indirect, in any matter to be acted upon, other than election to office.

The registrant has not been informed in writing by any person that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 30 September 2020, there are 1,148,534,866 outstanding common shares entitled to notice and to vote at the meeting.

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of Stockholders is 31 October 2020.

The election of the board of directors for the current fiscal year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder, may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More than 5% of Any Class of the Registrant's Voting Securities:

As of 30 September 2020, Paxys has no knowledge of any individual or any party who beneficially owns in excess of 5% of Paxys common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	All Asia Customer Services Holdings, Ltd. (AACSHL) Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong	Expac Holdings Ltd. owns 100% of AACSHL. Paxys has neither corporate relationship nor information about Expac Holdings Ltd.	Hong Kong	630,844,038*	54.93%
Common	Paxys N.V. Kaya W.F.G. (Jombi) Mensing 36, Curaçao	Paxys, Inc. owns 100% equity of Paxys N.V.	Curaçao	345,622,477**	30.09%
Common	PCD Nominee Corp. G/F MSE Bldg., 6767 Ayala Ave., Makati City	Beneficial owners are the clients of the PCD participants' brokers. There are no beneficial owners owning more than 5% of the Registrant's capital stock.	Philippines	170,112,539	14.81%
			Total	**1,146,579,054**	**99.83%**

**This includes the 9,583,218 lodged shares of AACSHL under PCD Nominee Corporation (Non-Filipino)*
***The 345,622,477 shares of Paxys N.V. are currently lodged under PCD Nominee Corporation (Non-Filipino)*

The right to vote the shares of AACSHL shall be exercised through its duly appointed proxy. AACSHL has previously appointed Mr. Tarcisio M. Medalla, Chairman and President of Paxys, Inc., as proxy for past stockholders' meetings. It is expected that AACSHL shall appoint him as proxy again for this year's meeting.

The shares held by AACSHL include 3,970,818 shares lodged with AB Capital Securities, Inc. and 5,612,400 shares lodged with S.J. Roxas & Co., Inc.

In October 2014, Paxys N.V., a wholly-owned subsidiary of Paxys, completed the purchase of 345,622,477 shares of Paxys, by way of a tender offer. As of 30 September 2020, the public ownership level of Paxys is at 14.96%. Paxys N.V. has appointed Mr. Tarcisio M. Medalla, Chairman and President of Paxys, Inc., as proxy for this year's stockholders' meeting.

(2) Security Ownership of Directors and Management (as of 30 September 2020):

Title of Class	Name of Beneficial Owner	Position	Amount of Beneficial Ownership	Citizenship	Percent Owned
Directors					
Common	Tarcisio M. Medalla	Chairman & President	1,120	Filipino	0.0001%
Common	Christopher B. Maldia	Director	129,520[1]	Filipino	0.0113%
Common	Ghee Keong Lim	Director	82,800[2]	Malaysian	0.0072%
Common	Roger Leo A. Cariño	Director & Treasurer	1,120	Filipino	0.0001%
Common	Roberto A. Atendido	Director	1,000	Filipino	0.0001%
Common	George Edwin Y. SyCip	Independent Director	1,120	American	0.0001%
Common	Jose Antonio A. Lichauco	Independent Director	1,120	Filipino	0.0001%
Other Named Officers					
Common	Pablito O. Lim	Chief Financial Officer	-	Filipino	-
Common	Mayette H. Tapia	Corporate Secretary	-	Filipino	-
Common	Ana Maria A. Katigbak	Assistant Corporate Secretary	-	Filipino	-
Common	Sheri A. Inocencio	Chief Audit Executive	-	Filipino	-
Common	Divine Grace M. Gandeza	Chief Risk Officer	-	Filipino	-
	Total		**217,800**		**0.019%**

(3) Voting Trust Holder of 5% or more

There are no voting trust agreements or any other similar agreement which may result in a change in control of the Company of which the Company has any knowledge.

(4) Changes in control

No change in control of the Registrant has occurred since the previous fiscal year.

1 *Includes 129,400 lodged and uncertificated shares.*
2 *Includes 1,000 lodged and uncertificated shares.*

Item 5. Directors and Executive Officers

Directors

The following are the names, age, citizenships, and period of service of the current directors/independent directors, who are nominated for re-election at the Annual Stockholders' Meeting:

Name	Age	Citizenship	Period during which individual has served as such
Tarcisio M. Medalla	71	Filipino	Since 2003
Roger Leo A. Cariño	61	Filipino	Since 2003
Christopher B. Maldia	60	Filipino	Since 2003
Lim Ghee Keong	52	Malaysian	Since 2005
Roberto A. Atendido	72	Filipino	Since 2004
George Edwin Y. SyCip	64	American	Since 2004
Jose Antonio Lichauco	61	Filipino	Since 2004

Background, experience and positions held of each of the directors/independent directors of the company is as follows:

Mr. Tarcisio M. Medalla *(Chairman and President)*, 71 years old, Filipino, has been a Director and President of the Company since 30 December 2003. He is concurrently a Director of UT Global Services Limited, a privately held company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He is also a director of Pacific Online Systems Corporation, a company listed with the Philippine Stock Exchange. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

Mr. Roger Leo A. Cariño *(Director & Treasurer)*, 61 years old, Filipino, has been a Director of the Company since 30 December 2003. He is currently the Company's Treasurer, which he also held from 2004 to 2006 and 2009. He is concurrently a Director of UT Global Services Limited, a privately held investment company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd. He is also the Chairman and President of UT Foundation, Inc. He has been connected with the Group since 1990. He graduated with a BSC degree, major in Accountancy, from Ateneo de Naga University and attended the MBA Program at Murdoch University and the Strategic Business Economics program at the University of Asia and the Pacific. He is a Certified Public Accountant.

Mr. Christopher B. Maldia *(Director)*, 60 years old, Filipino, has been a Director of the Company since December 2003. He graduated with a Bachelor of Laws degree from the Ateneo de Manila University. He also has a Master of Laws in International Legal Studies from New York University School of Law. He is a member of the Philippine Bar and the New York Bar.

Mr. Lim Ghee Keong *(Director)*, 52 years old, Malaysian, was appointed as Director of the Company on 3 June 2005. He has more than 30 years of experience in finance, treasury and credit management. Prior to joining the Usaha Tegas Sdn. Bhd. ("UTSB") Group in 1995, he was attached to General Electric Capital Corporation in the USA and Ban Hin Lee Bank in Malaysia. He is a Director and Chief Operating Officer of UTSB and serves on the boards of several other companies in which UTSB Group has interests, such as Maxis Berhad (listed on the Bursa Malaysia Securities Berhad ("Bursa Securities"), Astro Malaysia Holdings Berhad (listed on Bursa Securities) and Bond Pricing Agency Malaysia Sdn. Bhd., a bond pricing agency registered with the Securities Commission Malaysia. He holds a Bachelor of Business Administration degree, majoring in Finance, from the University of Hawaii at Manoa, USA.

Mr. Roberto A. Atendido *(Director)*, 72 years old, Filipino, has been a Director of the Corporation since 1 October 2004. He is currently the Chairman/Director of Myka Advisory & Consultancy Services, Inc., Vice Chairman/Director of Sinag Energy Philippines, Inc.. He is currently a member of the board of the following companies: Philippine Business Bank, Sinag Global Energy Corporation, West Palawan Premiere Development Corporation and Macay Holdings Inc. He holds a Masters Degree in Business Management from the Asian Institute of Management.

Mr. George Edwin Y. SyCip *(Independent Director)*, 64 years old, American, has been a Director of the Company since 1 October 2004. He advises a variety of companies in their cross-border endeavors between the US/Europe and Asia and serves on the corporate Boards of Asian Alliance Holdings and Development Corp., Cityland Development Corporation, Premiere Horizon Alliance Corporation and Bank of the Orient in San Francisco. He is also a Trustee or Director of the International Institute for Rural Reconstruction, Give2Asia, Global Heritage Fund and the California Southeast Asia Business Council. He holds a Master's Degree in Business Administration from Harvard Business School and a Bachelor's degree in International Relations/Economics from Stanford University.

Mr. Jose Antonio Lichauco *(Independent Director)*, 61 years old, Filipino, is the Treasurer and a Director of Automated Technology (Philippines), Inc. where he was previously Senior Vice-President and Chief Financial Officer. He is concurrently the President of Asian Alliance Investment Corp., specializing in Investment Banking and Corporate Finance. He also held positions at Insular Investment and Trust Corporation and at SGV & Co. He obtained his Master's Degree in Business Administration from Columbia University in New York, USA in 1989.

Executive Officers

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

Name	Position	Age	Citizenship	Period during which individual has served as such [1]
Tarcisio M. Medalla	President and CEO	71	Filipino	Since 2019
Roger Leo A. Cariño	Treasurer	61	Filipino	Since 2019
Pablito O. Lim	Group, Chief Finance Officer and Chief Compliance Officer	62	Filipino	Since 2019
Sheri A. Inocencio	Chief Audit Executive	54	Filipino	Since 2019
Mayette H. Tapia	Corporate Secretary, General Counsel, Corporate Information Officer, and Investor Relations Officer	34	Filipino	Since 2019
Ana Maria A. Katigbak	Assistant Corporate Secretary	51	Filipino	Since 2019
Divine Grace M. Gandeza	Chief Risk Officer	34	Filipino	Since 2019

[1] Based on most recent appointment dates

Background, experience and positions held of each of the officers of the company are as follows:

Mr. Pablito O. Lim, 62 years old, Filipino, is the Chief Financial Officer of the Group since 2013 and currently the Compliance Officer of the Company. He was the former CFO of Stellar Philippines, Inc. and Stellar Global Solutions Philippines, Inc. Prior to joining the Group, he was the CFO of Brightpoint Italy and served as an Audit Executive in Sycip Gorres Velayo & Co., a member firm of Ernst & Young. He is also concurrently a Director of some of the Company's subsidiaries such as Simpro Solutions Philippines, Inc., Scopeworks Asia, Inc. and Paxys Realty, Inc. He is a Certified Public Accountant. He also completed the Executive Development Program and graduated with distinction from Management Development Program both at the Asian Institute of Management.

Ms. Sheri A. Inocencio, 54 years old, Filipino, is the Group's Chief Audit Executive (CAE). Prior to joining the Group, she was the Vice President for Finance in BA Continuum Philippines, Inc. (a subsidiary of Bank of America) from August 2013 up to February 2015 and in Advanced Contact Solutions, Inc. from March 2003 up to November 2008. She also held several key finance and audit roles in C3/Customer Contact Channels, Inc., Prople, Inc., NGL Pacific Ltd., Pacific Cable & DTU Systems, Inc., and SGV & Co. Ms. Inocencio graduated cum laude from University of the Philippines with a degree in Business Administration and Accountancy and is a Certified Public Accountant.

Atty. Mayette H. Tapia, 34 years old, Filipino, is the Corporate Secretary, General Counsel, Corporate Information Officer, and Investor Relations Officer beginning September 4, 2017. She previously served as a General Counsel of a multinational company and as an associate lawyer at Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices. She is currently a member of the Association of Southeast Asian Nation (ASEAN) Law Association and served as a corporate secretary of the San Beda Law Alumni Association Board of Trustees. She obtained her Bachelor of Laws degree from San Beda University-College of Law in Manila and became a member of the Integrated Bar of the Philippines on April 2013.

Atty. Ana Maria A. Katigbak, 51 years old, Filipino, is the Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices and also acts as Director of Mabuhay Holdings, Inc. and Vulcan Industrial and Mining Corp., Corporate Secretary of Energy Development Corporation, and Assistant Corporate Secretary of Paxys Inc., Premiere Horizon Alliance Corporation and Solid Group, Inc. She is a member of the Integrated Bar of the Philippines.

Ms. Divine Grace M. Gandeza, 34 years old, Filipino, is currently the Group's Chief Risk Officer and has been with the Group since September 2012. She has extensive background in risk management, finance, and internal audit from her experience in various positions held within the Paxys group and other listed companies in diverse industries such as service, retail, freight and supply chain, transportation and logistics. She's a Certified Public Accountant and a Certified Information Systems Auditor.

Term of Office of Directors

Each director of the Company holds office for a period of one year and until the annual meeting of stockholders is held next after his election and/or his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office.

Directors' Attendance

All directors met the SEC's requirements of more than 50% attendance. Directors' attendance for the board meetings held for the year 2019 are as follows.

Directors	Date of Board Meeting			
	29 Mar. 2019 Regular	7 May 2019 Regular	5 Aug. 2019 Regular	12 Dec. 2019 Organizational
Tarcisio M. Medalla	✓	✓	✓	✓
Roger Leo A. Cariño	✓	✓	✓	✓
Roberto A. Atendido	✓	A	✓	✓
Christopher B. Maldia	✓	✓	✓	✓
Jose Antonio A. Lichauco	✓	✓	✓	✓
Lim Ghee Keong	✓	✓	✓	A
George Edwin Y. SyCip	✓	✓	**A**	A

√ *- Present A – Absent R - Resigned*

Directorships in Other Companies

The following are directorships held by directors and executive officers in other companies during the last five years:

Name of Director	Name of Corporation	Position	Period
Tarcisio M. Medalla	Pacific Online Systems Corporation	Director	2007 to present
Roger Leo A. Cariño	UT Foundation Inc.	Chairman/President	2011 to present
Roberto A. Atendido	Sinag Energy Philippines, Inc.	Vice Chairman/ Shareholder	2008 to present
	Sinag Global Energy Corporation	Director/Shareholder	2015 to present
	Myka Advisory & Consultancy Services, Inc.	Chairman/ Shareholder	2010 to present
	Macay Holdings, Inc.	Director	2014 to present
	West Palawan Premiere Development Corporation	Director	2016 to present
	Philippine Business Bank	Director	2006 to present
Jose Antonio A. Lichauco	Asian Alliance Investment Corp.	President	2013 to present
	Automated Technology (Philippines) Inc.	Director	2000 to present
George Edwin Y. SyCip	Asian Alliance Holdings and Development Corp.	Director	November 1995 to present
	Cityland Development Corp.	Director	December 2017 to present
	Premiere Horizon Alliance Corporation	Director	February 2018 to present

Nomination for Election of Directors

In accordance with the Company's By-Laws and Corporate Governance Manual, nominations for election of directors were submitted to the Company's Corporate Secretary at the Company's principal place of business at least thirty (30) days before the date of the Annual Meeting.

There will be seven (7) nominees for regular and independent directors. All nominees are currently incumbent directors.

Nominations for Independent Directors

In accordance with SRC Rule 38, the Company has established a Nomination and Governance Committee with the following as members:

1. Mr. Tarcisio M. Medalla (Chairman)
2. Mr. George Edwin Y. SyCip (Independent Director)
3. Mr. Jose Antonio A. Lichauco (Independent Director)
4. Mr. Roger Leo A. Cariño (non-voting)
5. Mr. Christopher B. Maldia (non-voting)

The Nomination and Governance Committee has pre-screened in accordance with the criteria prescribed under SRC Rule 38 and the Company's Code of Corporate Governance, the nominations made by Mr. Tarcisio M. Medalla, Chairman and President of Paxys, of the following independent director nominees:

1) George Edwin Y. SyCip (incumbent)
2) Jose Antonio A. Lichauco (incumbent)

As of December 31, 2019, the above nominees have served the Company for a cumulative term of seven (7) years reckoning from year 2012. None of these independent director nominees are officers nor employees of the Company or any of its subsidiaries nor related by affinity or consanguinity to the persons who nominated them or other relationships, which could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors.

Both nominees have submitted a Certificate of Qualification as required by the Securities and Exchange Commission pursuant to its Notice dated October 20, 2006.

Significant Employees

All the employees are considered important assets of the Company who collectively make significant contributions to the Company.

Family Relationships

None of the directors and executive officers is related to each other by affinity or consanguinity.

Involvement of Directors and Executive Officers in Certain Legal Proceedings

None of the directors and executive officers was involved during the past five years and as of date of this report in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

In any case, its independent director, George Edwin Y. SyCip is involved in the following legal proceedings:

Offense Charged/Investigated	Tribunal/Agency Involved	Status
Violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or violation of the right to inspect) – preliminary investigation	Office the Secretary – Department of Justice (OSEC-PR-DTF-2-010916-001; NPS Docket Nos. XVI-INV-15B-00033 to 00034, titled *Harvest All Investment Limited, et al. v. Annsley B. Bangkas, et al./Harvest All Investment Limited, et al. v. George SyCip, et al.*)	The Department of Justice ("DOJ") reversed the dismissal of the cases by the DOJ Prosecution Staff even though there was a finding that the directors, including, Mr. SyCip, have not issued a board resolution that expressly denied the inspection request. Mr. SyCip's *Motion for Reconsideration* of the DOJ *Resolution* is pending to date.
Violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or violation of the right to inspect) – filed in court	Metropolitan Trial Court of Pasig, Branch 71 (Criminal Case Nos. M-PSG-18-00148-CR to 00149-CR, titled *People of the Philippines v. Annsley B. Bangkas, et al.*)	This is an offshoot of the case above (*e.g.,* NPS Docket Nos. XVI-INV-15B-00033 to 00034). The case has been set for arraignment on October 8, 2020, at 8:30 a.m., although the court's *Order* finding probable cause against Mr. Sycip and the co-accused for the issuance of a warrant of arrest is the subject of a *Petition for Certiorari* pending with the Regional Trial Court of Pasig. On September 1, 2020, Mr. Sycip filed an *Omnibus Motion to [a] Quash Information and Dismiss Criminal Action; and [b] Suspend Proceedings* on September 1, 2020. The motion is still pending to date.
Violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or violation of the right to inspect) – preliminary investigation	Department of Justice – Office of the Secretary of Justice (NPS Docket No. XVI-INV-15B-00053, titled *Hedy S.C. Yap-Chua v. Jonathan Y. Dee, et al.*)	The Office of the Prosecutor General of the DOJ, through a *Review Resolution* dated March 20, 2018 ("**March 20 Resolution**") ruled in favor of the complainant even though the inspection request was granted by the board of directors, including Mr. SyCip. Mr. SyCip's *Petition for Review* of the March 20 Resolution, as well as *Petitions* filed by the other co-respondents, are currently pending with the Secretary of Justice.
Violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or violation of the right to inspect) – filed in	Metropolitan Trial Court of Pasig, Branch 70 (Criminal Case Nos. M-PSG-18-00075-CR to 00076-CR, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*e.g.,* NPS Docket No. XVI-INV-15B-00053). The prosecution filed an *Amended Information*, which is the subject of *Motions to Quash* filed by Mr. SyCip's co-

court		accused in view of the court's lack of subject matter jurisdiction. The court issued an *Order* dated March 6, 2020 ("**March 6 Order**") dismissing the case. A motion for reconsideration of March 6 Order has been filed and is pending.
Violation of Presidential Decree No. 1689, in relation to Article 315(2)(a) of the Revised Penal Code (syndicated *estafa*) and Article 171(1) of the Revised Penal Code (falsification of public document) – preliminary investigation	Office the Secretary – Department of Justice (NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843, titled *Victory Fund Limited, et al. v. Jonathan Y. Dee, et al./Jonathan Y. Dee, et al. v. Hedy S.C. Yap-Chua*)	The Office of the City Prosecutor – Manila dismissed both *Complaints*. The complainants' *Appeal* with the DOJ was also denied. Through a *Resolution* dated March 27, 2018 ("**March 27 Resolution**"), the DOJ partially granted the complainants' motion for reconsideration by finding probable cause for simple *estafa* against Mr. SyCip and some co-respondents; the DOJ affirmed its ruling dismissing the syndicated *estafa* and falsification of public document charges. Several respondents, including Mr. SyCip, have filed *Motions for Reconsideration* of the March 27 Resolution, which are pending. One of the respondents filed a *Petition for Certiorari* with the Court of Appeals to challenge the March 27 Resolution.
Violation of Article 315(2)(a) of the Revised Penal Code (*estafa*) – filed in court	Regional Trial Court of Makati, Branch 143 (Criminal Case Nos. R-MKT-19-01308, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*e.g.,* NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843). The prosecution filed the *Information* in court after the DOJ, in its March 27 Resolution, found probable cause to charge Mr. SyCip and other co-respondents for simple *estafa*.

Notwithstanding the existence of the legal proceedings involving Mr. SyCip, the Company does not find the same to be material to the evaluation of his ability or integrity to occupy the position of director for the current year, and to be elected again as director for the year 2020-2021.

Certain Relationships and Related Transactions

There has been no transaction during the last five years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 10% of the Company's voting securities, or voting trust holder of 10% or more of any class of the Company's securities, or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

Item 6. Compensation of Directors and Executive Officers

Summary of Compensation of Directors and Executive Officers

The table below shows the Company's Chief Executive Officer and four most highly compensated executive officers for the last three (3) years:

Name	Position
Tarcisio M. Medalla	President and CEO
Pablito O. Lim	Group Chief Finance Officer and Chief Compliance Officer
Sheri A. Inocencio	Chief Audit Executive
Mayette H. Tapia	Corporate Secretary, General Counsel, Corporate Information Officer, and Investor Relations Officer
Divine Grace M. Gandeza	Chief Risk Officer

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year of the Company's CEO and four most highly compensated executive officers, as well as the directors of the Company are as follows:

	Year	Total[1] (In Php Millions)
CEO and the four (4) above-named most highly compensated officers and all other directors unnamed as a group	2018	33.0
	2019	31.4
	2020 (estimated)	29.9

The Company's By-laws provides that:

The Compensation of the members of the Board of Directors shall be at such reasonable amount as may be determined by the Board, subject to ratification by the stockholders.

As set by the Compensation and Remuneration Committee of the Company, the following are the key considerations in determining the proper remuneration of the directors and key officers of the Company: (i) the remuneration of the directors and key officers are commensurate to the responsibilities of the role (ii) no director shall participate in deciding on his remuneration, and (iii) the remuneration should consider long-term interests of the Company.

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

There are no agreements between the registrant and its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the law.

Warrants and Options Outstanding: Repricing

The Company has no outstanding warrants and options.

[1] Include salaries, bonuses, benefits, per diem and other fees

Item 7. Independent Public Accountants

a) The external auditor of the Company is Reyes, Tacandong & Co. (RT & Co.). The Audit, Risk and Related Party Transactions Committee[1] recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the appointment of the external auditor.

b) Representatives of RT & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. Pursuant to the general requirements of SRC Rule 68 Par 3(b)(iv) "Compliance with the Five (5) Year Rotation of External Auditor", Ms. Haydee M. Reyes is eligible as Partner-in-Charge for 2019 audit.

c) There are no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

d) The consolidated fees billed for the audit of the Company's annual financial statements amounted to ₱1.6 million, ₱1.5 million and ₱1.3 million for 2019, 2018 and 2017, respectively.

e) There are no professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services for the last two fiscal years. There is no other assurance and related services rendered by the external auditor. There are no other services provided by the external auditor other than the services reported above.

Item 8. Compensation Plans

No action is to be taken during the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken during the Annual Stockholders' Meeting with respect to authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

No action is to be taken during the Annual Stockholders' Meeting with respect to modification of any class of securities or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

A copy of the Company's consolidated financial statements and a discussion by Management of its operations is included in the accompanying Management Report.

[1] Audit, Risk, and Related Party Transactions Committee members are: 1) Mr. Jose Antonio Lichauco – Chairman; 2) Mr. George Edwin Y. SyCip; 3) Mr. Roberto A. Atendido; and 4) Mr. Roger Leo A. Cariño.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the Annual Stockholders' Meeting with respect to any transaction involving: (a) merger or consolidation into or with any other person or of any other person into or with Paxys; (b) acquisitions or any of its security holders of securities of another person; (c) acquisition of any other going business or of the assets thereof; (d) sale or other transfer of all or any substantial part of the assets of the Group.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the Annual Stockholders' Meeting with respect to acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action is to be taken during the Annual Stockholders' Meeting with respect to restatement of any asset, capital or surplus account.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Management Report, as set forth in the Annual Report, will be submitted for stockholder's approval. The Company's Audited Financial Statements as of 31 December 2019 is made part of the Company's 2019 Definitive Information Statement, a copy of which is distributed to the stockholders of the Company at least 15 days prior to the Annual Stockholders' Meeting.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Item 17. Other Proposed Actions

A. Approval of the Minutes of the 2019 Annual Stockholders' Meeting

The minutes of the previous annual stockholders' meeting which includes the discussion of prior year's Annual and Management Reports will be presented to the stockholders for approval. Approval of the Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during the meeting. This does not constitute a second approval of the same matters taken up at the annual stockholders' meeting, which was approved.

B. Ratification of Previous Corporate Acts

Among the major corporate acts for ratification by the stockholders in the annual stockholders' meeting are the following which were previously disclosed in the following Current Reports (SEC Form 17-C):

Date Filed	Items Reported
13 December 2019	The Company advised the Exchange of the highlights and results of the Annual Stockholders' Meeting held on 12 December 2019.

Date Filed	Items Reported
7 January 2020	The Company submitted the Directors' Attendance for 2019.
14 January 2020	The Company informed the Exchange of the resignation of Rizal Commercial Banking, Corporation and appointment of Professional Stock Transfer Agent as the new as Stock and Transfer agent.
28 January 2020	The Company submitted its reply to the letter of PSE dated 27 January 2020.
16 March 2020	Disclosure to the investing public about the risks and impact of the coronavirus disease 2019 (COVID-19) pandemic on the Company's business operations.
27 May 2020	The Company informed the Exchange that the annual meeting of the stockholders of Paxys, Inc. for the year 2020, which is scheduled to be held on any day in May, has been postponed to a later date due to the coronavirus disease 2019 (COVID-19) pandemic
3 July 2020	The Company submitted its reply to the letter of PSE dated 1 July 2020.
7 August 2020	The Company submitted the Certificates of Completion for Corporate Governance Seminar for the Directors and Officers of Paxys, Inc. in compliance with the SEC Memorandum Circular No. 20 Series of 2013.
24 August 2020	The Company informed the Exchange that the scheduled annual meeting of the stockholders of Paxys Inc. is on 3 December 2020 to be conducted virtually
1 October 2020	The Company disclosed that the new schedule of the annual stockholder's meeting of Paxys Inc. is on 10 December 2020 at 11:00 a.m. and will be conducted virtually.
2 October 2020	The Company submitted to the Commission the notarized copy of Mr. Jose Antonio A. Lichauco's Certification of Independent Director and a copy of Mr George Edwin Y. SyCip's Certification with Undertaking.
9 October 2020	The Company submitted to the Commission the notarized copy of Mr. George Edwin Y. SyCip's Certification of Independent Directors.
6 November 2020	The Company submitted the certified list of stockholders of Paxys Inc. as of 31 October 2020, the record date of our Annual Stockholders' Meeting, which is scheduled on 10 December 2020

A resolution to ratify the above acts, resolutions and proceedings of the Board of Directors, corporate officers and management shall be presented to the stockholders for approval.

C. Election of directors

In accordance with the Company's Corporate Governance Manual, all nominations for director were reviewed and evaluated by the Nominations and Governance Committee. The final list of nominees for directors including their background information, experiences and positions held are included in the Information Statement.

D. Appointment of External Auditors

A resolution for the appointment of the Company's external auditor for 2020 shall be presented to the stockholders for approval.

In line with good corporate governance practices, the Audit, Risk, and Related Party Transactions Committee provides recommendations to the Board of Directors on qualified auditing firms which can best provide assurance to the directors and stockholders on the fairness and integrity of the Company's financial statements and the adequacy of internal controls.

Item 19. Voting Procedures

For the election of directors, the seven (7) nominees receiving the most number of votes will be elected to the Board of Directors. Cumulative voting will be applied.

For all other matters to be taken up, majority vote of the outstanding capital stock present or represented at the meeting where a quorum exists will be sufficient. Voting shall be done by proxy or remote communication or *in absentia* and the votes cast for or against the matter submitted shall be tallied by the Corporate Secretary in case of division of the house.

CERTIFICATION

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

Attention: Atty. Mayette H. Tapia
Corporate Secretary and Corporate Information Officer
15/F 6750 Ayala Office Tower
Ayala Avenue, Makati City

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on 16 November 2020.

PAXYS, INC.

By: Tarcisio M. Medalla
Chairman and President

Mayette H. Tapia
Corporate Secretary
and Corporate Information Officer

PART II. INFORMATION REQUIRED IN PROXY FORM

Item 1. Identification
This proxy is solicited by the Board of Directors and Management of Paxys Inc. The solicited proxy shall be exercised by Mr. Tarcisio M. Medalla, President of the Corporation or the stockholder's authorized representative.

Item 2. Instruction

a. For agenda items other than election of directors, the proxy form shall be accomplished by marking in the appropriate box either "FOR", "AGAINST" or "ABSTAIN" according to the stockholder's/proxy's preference.

For election of directors, the stockholder/proxy shall mark with an "X" the space across the name of his chosen nominee for regular and independent director.

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

FOR the approval of the minutes of the Annual Stockholders' Meeting held on 12 December 2019;
FOR the approval of the Management Report and audited financial statements for year ended 31 December 2019;
FOR the confirmation and ratification of all acts and resolutions of Management and the Board of Directors from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;
FOR the election of the following directors:

For Regular Directors:

1. Tarcisio M. Medalla
2. Roger Leo A. Cariño
3. Christopher B. Maldia
4. Lim Ghee Keong
5. Roberto A. Atendido

For Independent Directors:

6. George Edwin Y. Sycip
7. Jose Antonio A. Lichauco

FOR the approval of the appointment of Reyes Tacandong & Co. as the external auditor of the Company for 2020-2021;

and to authorize the Proxy to vote according to discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".

A Proxy Form that is returned without a signature shall not be valid.

b. The matters to be taken up in the meeting are enumerated opposite the boxes on the form. The names of the nominee directors are likewise enumerated opposite an appropriate space.

c. The proxy forms may be submitted to the Corporation on or before 5:00 p.m. of 30 November 2020 (i) by email to investor_relations@paxys.com or (ii) by delivery or mail to the principal office of the Corporation at !5th Floor, 6750 Ayala Office Tower, Ayala Ave. Makati City. In case a proxy form is emailed to the Corporation, the original signed copies of the proxy form should also be **received** by the Corporation by delivery or mail not later than 3 December 2020 in time for validation procedures. Proxy forms shall be validated until 4 December 2020, at the Corporation's principal office. Proxy forms not received within the prescribed period shall not be counted as part of the quorum for the meeting and the votes therein shall not be recognized.

PLEASE USE THE ATTACHED PROXY FORM

Item 3. Revocability of Proxy

A stockholder may revoke his proxy on or before the date of the Annual Meeting. The proxy may be revoked by the shareholder's written notice to the Corporate Secretary advising the latter of the revocation of the proxy, or by a shareholder's personal attendance during the meeting.

Item 4. Persons Making the Solicitation

This solicitation is made by the Corporation. No director has informed the Corporation in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting. Solicitation of proxies will be done via email or any online manner. The estimated amount to be spent by the Corporation to solicit proxies for the Board of Directors is Php70,784.00 more or less. The cost of solicitation will be borne by the Corporation.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

No member of the Board of Directors or executive officer since the beginning of the last calendar year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

The Corporation does not intend to bring any matter before the meeting other than those set forth in the notice of the annual meeting of stockholders and does not know of any matter to be brought before the meeting by others. If any other matter does come before the meeting, the proxy shall vote in the manner indicated by the stockholder, or if no such indication is made, in accordance with proxy's discretion.

The Company will provide without charge to each person solicited, upon his written request, a copy of the Company's annual report on SEC Form 17-A duly filed with the Securities and Exchange Commission. At the discretion of Management, a reasonable fee may be charged for the expense incurred in providing a copy of the exhibits. All requests may be sent to the Company's head office and addressed to:

Attention: ATTY. MAYETTE H. TAPIA
PAXYS INC.
15th FLOOR, 6750 AYALA OFFICE TOWER, AYALA AVE., MAKATI CITY
+632-8250-3800

PAXYS, INC.
MANAGEMENT REPORT
Pursuant to RSA Rule 20(B)

For the 2020 Annual Stockholders' Meeting

General Nature and Business of the Company

Paxys, Inc. ("Paxys" or the "Company") is an investment holding company incorporated in the Philippines and listed on the Philippine Stock Exchange (stock symbol: PAX). It was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on 14 February 1952. Its major shareholders are All Asia Customer Services Ltd (AACSHL), a privately-held company incorporated in Hong Kong, and Paxys NV, a wholly owned subsidiary of the Company, with 54.93% and 30.09% interests, respectively.

In 2004, the Company's principal shareholder undertook a reverse takeover of Paxys by injecting Advanced Contact Solutions, Inc. ("ACS") in exchange for a controlling stake in the Company. ACS at that time was a major call center in the Philippines. Effectively, Paxys became the first call center firm to be listed on the Philippine Stock Exchange. Thereafter, Paxys made several other investments in the business processes outsourcing (BPO) industry and other related businesses by means of acquisitions and joint ventures. Due to exigencies of the business, Paxys sold all of its equity interests in ACS in January 2011 and henceforth divested most of its BPO assets. At present, the Company's operating subsidiaries provide general transcription, proofreading, data conversion, contact center and back office outsourcing services. Previous investments of Paxys include the following:

- The Parent Company expanded its business and made several acquisitions in Australia through Paxys Australia Pty Ltd ("PAU"). The most significant acquisition was made in April 2006 when PAU acquired SmartSalary Pty Ltd ("SmartSalary"), a salary packaging company based in Australia. In 2009, SmartSalary acquired two major Australian providers of in-house salary packaging software solutions, namely, Melbourne System Group Pty Ltd and Seqoya Pty Ltd. In 2010, PAU incorporated a wholly-owned subsidiary, Smartfleet Management Pty Ltd ("Smartfleet"), for the purpose of engaging in fleet management-related business. Smartfleet further expanded by acquiring the assets of Webfleet Management Services Pty Ltd, a leading provider of software solutions for online fleet management. Smartfleet also acquired Australian Vehicle Consultants Pty Ltd, a fullservice fleet management company and a leading provider of vehicle maintenance services. Smartsalary also acquired PBI Benefit Solutions Pty Ltd, a company engaged in issuing credit card products to employees of public hospitals and public benevolent institutions in Australia. In June 2012, the Company, through Paxys N.V., sold its 100% interest in PAU and its subsidiaries to SmartGroup Investments Pty Ltd.

- In January 2007, Paxys, together with joint venture partner Stellar Global, Inc., established Stellar Global Solutions Philippines, Inc. ("SGSP"). SGSP was organized to provide cost-effective Philippine offshore outsourcing for the Australian and UK clients of the Stellar Community. In April 2011, SGSP formed a wholly-owned subsidiary – Stellar Philippines, Inc. ("Stellar Philippines") to further expand Stellar's operations in the Philippines. Paxys sold all of its equity interests in SGSP and Stellar Philippines to Stellar Global, Inc. in July 2013.

- In 2008, Paxys partnered with WNS Global Services Netherlands Cooperative U.A. ("WNS Global") to form WNS Philippines, Inc. Based in Mumbai India, WNS Global is a leading provider of business process outsourcing for various services such as banking, travel, telecommunications, logistics, insurance, and healthcare. In October 2011, Paxys transferred all of its equity interests in WNS Philippines, Inc. to its foreign partner.

- To further improve its IT capabilities and expertise, the Company acquired a majority stake in Ubaldo Reidenbach Solutions, Inc. ("URSI") in 2008. URSI is a Philippine company engaged in IT consultancy focusing on Linux, Open Source Software and Red Hat Software. In 2008, Paxys acquired majority ownership in Global Idealogy Corporation ("GIC"), a software solutions provider. In October 2012, Paxys transferred all of its equity interests in URSI in favor of URSI's minority shareholders. In August 2011, Paxys sold all of its equity interests in GIC in favor of GIC's minority shareholders.

In October 2014, Paxys N.V., a wholly-owned subsidiary of the Parent Company, completed a tender offer to acquire 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock. AACSHL remains the majority shareholder owning 54.93% of the Parent Company's total issued and outstanding shares as of 31 December 2019. The public ownership level of Paxys is at 14.96% as of 31 December 2019.

The registered office address of the Parent Company is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines.

Competition

Philippines is among the top 3 choices for offshore operations due to its strategic business location, steady supply of competent workers and world-class telecom infrastructure.

Our competition within the global BPO services industry includes US-based outsourcing companies and offshore BPO companies.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

Paxys and its subsidiaries obtain equipment and other materials mostly from local suppliers. The Company is not dependent upon one or limited number of suppliers for essential equipment and other materials as it continuously looks for new suppliers that can satisfy the Company's requirements.

Major Customers

For the past year, the Company's major customers include UK courtrooms for the legal transcription services, Asia-Pacific for the data document processing, customers, television contents in Singapore, healthcare services consumers in Canada.

Related Party Transactions

Transactions between related parties mainly include cash advances for working capital advances and are accounted for at arms-length prices. In 2019, the Group extended cash advances in support of working capital requirements of ACS Pacific Limited amounting to ₱1.5 million.

Discontinued Operations

On May 6, 2015, SSPI terminated its Philippine operations due to non-renewal of its revenue contracts. Thereafter, SSPI amended its Articles of Incorporation shortening the term of its existence to June 30, 2018. Said amendment has been approved by the Board of Directors on March 15, 2017 and by the Securities and Exchange Commission on May 24, 2017. By virtue of the Amended Articles of Incorporation, the Corporation has dissolved its corporate existence on June 30, 2018. Paxys has joint control in SSPI through its wholly-owned subsidiary, Paxys Ltd.

Licenses

On 25 November 2009, SWA's registration of its expanding business process outsourcing service in the field of data transcription activity was approved by the Board of Investments (BOI). This certification entitles SWA to a three-year Income Tax Holiday (ITH) starting December 2009 until November 2012. The ITH shall be limited only to the revenue generated from the registered expansion project. As a registered entity, SWA is required to export at least 70% of its total services, among other requirements. The ITH incentive has expired in November 2012. Thus, starting December 2012, SWA is subjected to 30% regular corporate income tax.

Simpro Philippines[1] was registered with the Philippine Economic Zone Authority in October 2012 as an Ecozone Information Technology Enterprise. Under Simpro's registration conditions, Simpro's operations shall not be entitled to ITH, but shall be entitled only to the 5% Gross Income Tax (5% GIT) incentive, in lieu of all national and local taxes, including the additional deduction of training expenses, as provided in RA 7916, as amended, and to incentives under Article77, Book VI of EO 226.

Need for any government approval of principal products or services

There are no products or services that need any government approval.

Effect of existing or probable governmental regulations on the business

The limitation and conditions on ScopeWorks imposed by BOI has already ended in November 2012. Starting calendar and taxable year 2013, ScopeWorks is subject to government regulations same as regular business entity. Simpro Philippines is subject to the export sales requirements prescribed for Economic IT Enterprises.

Research and Development

The Company has not spent any amount during the last three fiscal years on research and development activities.

Environmental Matters

The Company is not involved in any action or proceeding involving non-compliance in any material respect with relevant environmental laws and regulations of the Philippines.

Employee and Labor Relations

As of 31 December 2019, the Group has 127 employees, including regular, project-based and probationary employees. There are no existing bargaining agreements (CBA) covering the Company's employees nor its subsidiaries. The Group provides its employees with medical insurance and leave benefits. For professional development, the Group provides for team building activities and offers training programs that address the specific needs of employees. To foster work-life balance, the Group sponsors among others, annual summer and year-end activities.

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[1] *Please refer to Discontinued Operations*

Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiary or affiliates is a party, or of which any of their property is the subject.

Market Price of and Dividends on Common Equity

Market Information

The Company's common shares are traded on the Philippine Stock Exchange. As of 30 September 2020, last traded price was Php2.06 per share. Trading prices for each quarter within the last two fiscal years are set forth below:

	Closing Prices	
	High	Low
2020		
First quarter	2.97	2.03
Second quarter	2.42	2.00
Third quarter	2.10	2.02
2019		
First quarter	3.75	3.02
Second quarter	3.38	2.92
Third quarter	3.07	2.76
Fourth quarter	2.98	2.65
2018		
First quarter	3.60	2.72
Second quarter	3.91	2.74
Third quarter	3.95	3.04
Fourth quarter	3.50	2.95

Shareholders

As of 30 September 2020, the number of stockholders of record in the Company's stock and transfer book is 714. The common shares issued is 1,148,534,866 based on the last Report on Number of Shareholders. The list of the top 20 stockholders of Paxys common shares as of 30 September 2020 are as follows:

Name	No. of Shares Held	Percentage to Total
All Asia Customer Services Holdings Ltd.*	621,260,820	54.09%
PCD Nominee Corporation (Non-Filipino)	464,351,384	40.43%
PCD Nominee Corporation (Filipino)	60,966,850	5.31%
Kho, Jimmy Jao	300,000	0.03%
Chua, Carmen	216,276	0.02%
Granados, Juan P.	158,112	0.01%
Yao Shiong Shio	95,184	0.01%
Kaw Sek & Company	86,088	0.01%
Lim, Ghee Keong	81,800[1]	0.01%
Paredes, Antonio	79,728	0.01%
Urrutia, Kevin	75,000	0.01%
Willis, Hugh Warren	63,111	0.01%
Jalandoni, Rodegelio M.	62,052	0.01%
Celis, Angela	55,776	0.00%
Martinez, Emilio G.	55,236	0.00%
Santiago, Eduardo A.	37,920	0.00%
Tangco, Francisco F.	37,896	0.00%

[1] *Does not include the 1,000 lodged and uncertificated shares.*

Name	No. of Shares Held	Percentage to Total
Co, Victor C.	31,536	0.00%
Asiamerit Securities, Inc	24,000	0.00%
Reyes, Leopoldo T.	19,800	0.00%
Total	**1,148,058,569**	**99.96%**

**AACSHL 9,583,218 shares are currently lodged under PCD Nominee (Non-Filipino). Total ownership of AASCHL is at 630,844,038 which is 54.93% of the total outstanding shares.*

Dividends

There were no dividends declared to public for the last three (3) years. As of 31 December 2019, there are no restrictions imposed on the Company on the declaration of cash or property dividends. There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

Recent Sales of Unregistered or Exempt Securities

(a) Securities Sold - Not applicable.

(b) Underwriters and Other Purchasers - Not applicable.

(c) Consideration - Not applicable.

(d) Exemption from Registration Claimed - Not applicable.

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

The following discussion and analysis of the Company should be read in conjunction with the accompanying audited consolidated financial statements and the related notes as at and for the year ended December 31, 2019, 2018 and 2017, which form part of this report. All amounts are in thousand pesos unless otherwise stated.

Year Ended December 31, 2019

Financial and Operational Highlights

Below is a summary of the Group's operations for the year ended 31 December 2019 and 2018:

In Php'000, except percentage	2019	2018	Y19 vs Y18
Service Income	₱78,506	₱86,477	(9%)
Gross Profit	20,123	20,971	(4%)
EBITDA[1]	55,614	22,805	144%
Loss from operations[2]	(80,267)	(80,621)	0%
Net Income attributable to equity holders	24,282	14,087	72%

Revenue in 2019 and 2018 came mainly from Scopeworks Asia, Inc. (SWA), the remaining operating subsidiary of the Group. With technology advancement over the past years, the volume in the data conversion business of SWA further decreased in 2019. This was partially mitigated by the revenue generated from managed-seat lease business which started around fourth quarter of 2018, resulting to a much lower impact in the revenue of about 9% short compared to prior year.

At the Gross Profit level, the revenue impact is around 4% due to efficient operations and management of personnel cost resulting to a reduction in the direct cost of operation.

[1] *EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.*
[2] *Operating Income (Loss) = Gross Profit - Gen & Admin Expenses*

The Interest Income from the Group's surplus funds amounted to ₱116.5 million in 2019 or about 22% higher compared to the interest income in 2018. This is more than enough to cover the loss from operations in 2019 of about ₱80.3 million, and resulted to a Net Income of ₱24.3 million. Compared to prior, 2019 Net Income is better by around 63%.

EBITDA more than doubled in 2019 as compared to prior year. Other than the cash earnings, the Group's adoption of PFRS 16 standard resulted to right-of-use amortization and interest expense on leases which were included for EBITDA computation purposes. Excluding these in the computation, the EBITDA in 2019 is ₱39.3 million or 72% better compared to 2018 EBITDA of ₱22.8 million.

Financial Condition

The Group's assets are mainly cash equivalents and investment securities. These funds are invested in various local and international bank and the Group and provided interest income with a net yield of about 2.8% and 2.3% in 2019 and 2018, respectively. With minimal corporate overhead, the Interest Income earned from these funds are more than enough to cover the Group's expenses.

The main changes in the Group's financial position pertains to the recognition of right-of-use assets and lease liabilities due to PFRS 16 (lease standard) adoption and translation losses on the dollar funds of the Group, as a result of the appreciation of Philippine Peso against US Dollar. Nonetheless, the net effect of these changes is a minimal 4% decrease in the total assets in 2019 versus 2018.

Following are the highlights of the Group's financial position as at December 31, 2019 and 2018:

In Php'000, except percentage	2019	2018	Y19 vs Y18
Current Assets	₱3,813,632	₱3,884,972	(2%)
Noncurrent Assets	53,491	20,419	162%
Assets	3,867,123	3,905,391	(1%)
Current Liabilities	41,465	28,882	44%
Noncurrent Liabilities	38,499	12,880	199%
Equity	3,786,979	3,863,629	(2%)

Liquidity and Capital Resources

In Php'000, except percentage	2019	2018	Y19 vs Y18
Net Cash provided by (used in) Operating Activities	₱34,075	(₱13,164)	359%
Net Cash used in Investing Activities	229,580	(95,359)	341%
Net Cash used in Financing Activities	263,655	-	343%
Net decrease in cash and cash equivalents	₱34,075	(108,523)	359%

The cash provided by investing activities pertain mainly to redeemed investment securities as of disclosed in the Group's consolidated financial statements for year ended December 31, 2019 and 2018.

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

Updates on Operating Subsidiary - ScopeWorks Asia, Inc. (SWA)

The new Managed Service program posted promising growth in 2019, however, the revenue from Data Conversion program went down resulting to a 9% net decrease in the Service Income in 2019 versus 2018. While SWA is efficient in terms of managing its cost, there are unavoidable and fixed premise costs which resulted to overall Net Loss of ₱5.6 million in 2019, a 272-percentage points drop versus 2018's Net Income of ₱630 thousand.

SWA is continuously looking and exploring other business opportunities to further increase its revenues, not just limited to business processing outsourcing but for other similar services as well.

SWA's financial highlights for the years ended 31 December 2019 and 2018:

In Php'000, except percentage	2019	2018	Y19 vs Y18
Service Income	₱78,506	₱86,477	(9%)
Gross Profit	20,124	20,971	(4%)
EBITDA[1]	7,351	5,549	32%
Net Income	(5,559)	3,228	(272%)

Key Performance Indicators

The following are the major financial ratios of the Company for the year ended 31 December 2019 and year ended 31 December 2018:

	2019	2018	Y19 vs Y18
Current Ratio[2]	91.6	134.5	-32%
Debt to Equity Ratio[3]	0.02	0.01	100%
Return on Equity[4]	0.64%	0.36%	78%
EBITDA Margin	71%	26%	173%
Net Income margin	31%	16%	94%

All KPI ratios are within the management's expectation within the periods under review.

Plan of Operation

1. The Group is continuously evaluating other investment opportunities. There are prospects and potential investment partners but these are still at the very early stage and none has been finalized to date. Paxys will continue to provide updates to its shareholders once any of the prospective investment opportunities proceed to the next level.

2. Other than Cash, the Group's main assets consist of cash equivalents and short-term fund. These assets are highly liquid and are convertible to cash as soon as additional cash requirement arises. The Management believes that it has sufficient level of fund to meet its cash requirement in the next twelve (12) months. The Group does not anticipate any liquidity problems that may arise from its operating activities in the near future.

3. There are no expected purchase or sale of plant and significant equipment in the near term.

4. There are no expected significant changes in the number of employees in the Group.

[1] *EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.*
[2] *Current Assets/Current Liabilities*
[3] *Total Liabilities/Total Stockholders' Equity*
[4] *Net Income / [(Equity end + Equity beg – Net Income)/2]*

Others Matters

In general, there are no material known trends, demands, commitments, events, transactions, arrangements or items of, by or involving the Company that would require a disclosure pursuant to Part III (A)(2)(A)(i) to (vii) of "Annex C" of the Implementing Rules and Regulations Code, to wit:

1. There are no known trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Company does not anticipate any cash flow or liquidity problems within the next 12 months. As discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations above, the management believes that the current level of cash generated from Operations and borrowing capability are sufficient to meet the Company's immediate cash needs.

2. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. There were no material commitments for expansion or capital expenditures as of reporting period.

4. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

5. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

6. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

7. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

8. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

9. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Year Ended December 31, 2018

Financial and Operational Highlights

Below is a summary of the Group's operations for the year ended 31 December 2018 and 2017:

In Php'000, except percentage	2018	2017	Y18 vs Y17
Service Income	₱86,477	₱79,205	9%
Gross Profit	20,971	12,684	65%
EBITDA[1]	22,805	8,993	154%

[1] *EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.*

In Php'000, except percentage	2018	2017	Y18 vs Y17
Loss from operations[1]	(80,621)	(73,142)	10%
Net Income attributable to equity holders	14,087	1,954	621%

Service income of the Group, pertaining to the revenue from the remaining operating subsidiary - SWA, grew by 9% in 2018 as compared to 2017.

Revenue growth came mainly from increase in the volume of the business of SWA and additional revenue streams coming from the new site in Alabang, Muntinlupa. Coupled with cost efficiencies, the improvement resulted to a 65% improvement in the Group's Gross Profit in 2018 versus 2017.

The Group's Operations resulted to a loss of amounting to ₱80.6 million and ₱73.1 million as at December 31, 2018 and 2017, respectively. However, the Group earned Interest Income from its surplus funds amounting to ₱95.4 million and ₱74.9 million as at December 31, 2018 and 2017, respectively, or growth of about 27%. This, together with net foreign exchange gain and other income of the Group more than covered the Group's overhead and resulted to Net Income for the year of ₱14.1 million. Compared with prior year results, the Group's Net Income in 2018 is higher by 621%. EBITDA is also at positive ₱22.8 million.

Financial Condition

The Group's total assets as at December 31, 2018 has increased by ₱149.8 million. This is mainly due to the operating income of the Group and the gain on translation of Paxys NV's dollar-denominated funds which is shown in the Equity section of the audited consolidated statements of financial position under "Other Equity Reserves".

Following are the highlights of the Group's financial position as at December 31, 2018 and 2017:

In Php'000, except percentage	2018	2017	Y18 vs Y17
Current Assets	₱3,884,972	₱3,742,200	4%
Noncurrent Assets	20,419	13,395	52%
Assets	3,905,391	3,755,595	4%
Current Liabilities	28,882	26,692	8%
Noncurrent Liabilities	12,880	4,064	217%
Equity	3,863,629	3,724,839	4%

Liquidity and Capital Resources

The cash used in investing activities pertain mainly to translation gain on the dollar Investment Securities of the Group.

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

In Php'000, except percentage	2018	2017	Y18 vs Y17
Net Cash provided by (used in) Operating Activities	₱34,075	(₱13,164)	359%
Net Cash used in Investing Activities	229,580	(95,359)	341%
Net Cash used in Financing Activities	263,655	-	343%
Net decrease in cash and cash equivalents	₱34,075	(108,523)	359%

[1] *Operating Income (Loss) = Gross Profit - Gen & Admin Expenses*

Updates on Operating Subsidiary - ScopeWorks Asia, Inc. (SWA)

Service Income of SWA grew by 9% in 2018 as compared to 2017. This revenue growth is mainly driven by the increase in the volume from its data conversion account for a UK client. SWA also had additional revenue streams in 2018 coming mainly from its new site in Alabang, Muntinlupa which provides facility and services to a client covering work-ready seats to be used for business process outsourcing and shared services.

In terms of operations, SWA's cost efficiency is better in 2018 as compared to 2017. The direct cost has improved from ₱66.5 million in 2017 to ₱65.5 million in 2018 resulting to a Gross Profit which increase by 65% or ₱21.0 million in 2018 as compared to ₱12.7 million in 2017.

SWA is continuously looking for additional opportunities to further increase its revenues.

SWA's financial highlights for the years ended 31 December 2018 and 2016:

In Php'000, except percentage	2018	2017	Y18 vs Y17
Service Income	₱86,477	₱79,205	9%
Gross Profit	20,971	12,684	65%
EBITDA[1]	5,549	2,634	111%
Net Income	3,228	1,311	146%

Key Performance Indicators

The following are the major financial ratios of the Company for the year ended 31 December 2018 and year ended 31 December 2017:

	2018	2017	Y18 vs Y17
Current Ratio[2]	134.1	140.2	(4%)
Debt to Equity Ratio[3]	0.01	0.01	-
Return on Equity[4]	0.36%	0.05%	620%
EBITDA Margin	26%	11%	136%
Net Income margin	16%	2%	700%

Plan of Operation

1. The Group is continuously evaluating other investment opportunities. There are prospects and potential investment partners but these are still at the very early stage and none has been finalized to date. Paxys will continue to provide updates to its shareholders once any of the prospective investment opportunities proceed to the next level.

2. Other than Cash, the Group's main assets consist of cash equivalents, investments in short duration bonds, and available-for-sale assets. These assets are highly liquid and are convertible to cash as soon as additional cash requirement arises. The Management believes that it has sufficient level of fund to meet its cash requirement in the next twelve (12) months. The Group does not anticipate any liquidity problems that may arise from its operating activities in the near future.

3. There are no expected purchase or sale of plant and significant equipment in the near term.

4. There are no expected significant changes in the number of employees in the Group.

[1] *EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.*
[2] *Current Assets/Current Liabilities*
[3] *Total Liabilities/Total Stockholders' Equity*
[4] *Net Income / [(Equity end + Equity beg – Net Income)/2]*

Others Matters

In general, there are no material known trends, demands, commitments, events, transactions, arrangements or items of, by or involving the Company that would require a disclosure pursuant to Part III (A)(2)(A)(i) to (vii) of "Annex C" of the Implementing Rules and Regulations Code, to wit:

1. There are no known trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Company does not anticipate any cash flow or liquidity problems within the next 12 months. As discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations above, the management believes that the current level of cash generated from Operations and borrowing capability are sufficient to meet the Company's immediate cash needs.

2. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. There were no material commitments for expansion or capital expenditures as of reporting period.

4. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

5. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

6. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

7. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

8. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

9. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Year Ended December 31, 2017

Financial and Operational Highlights

Below is a summary of the Group's operations for the year ended 31 December 2017 and 2016:

In Php'000, except percentage	2017	2016	Y17 vs Y16
Service Income	₱79,205	₱92,073	(14%)
Gross Profit	12,684	12,258	3%
EBITDA[1]	8,993	19,739	(54%)

[1] *EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.*

In Php'000, except percentage	2017	2016	Y17 vs Y16
Loss from operations[1]	(73,142)	(65,070)	12%
Net Income attributable to equity holders	1,954	11,830	(83%)

Service income as the December 31, 2017 and 2016 pertain to the revenue from the remaining operating subsidiary of the Group, SWA.

SWA revenues went down by 14% mainly due to lower volume. At the Gross Profit level, the impact of this shortfall was tempered by lower direct cost resulting primarily from effective planning and management of workforce in response to the decline in volume.

SWA continue to generate income from operations and recorded ₱1.3 million and ₱5.9 million Net Income as at December 31, 2017 and 2016, respectively. Meanwhile, the Group's total interest income from surplus funds are about ₱74.9 million and ₱66.8 million as at December 31, 2017 and 2016, respectively. These effectively offset the overhead costs of the Parent Company and results to a consolidated Net Income and positive EBITDA of ₱9.0 million and ₱19.7 million, respectively.

Compared with prior year results, the Group's Net Income went down by 83% due to one-off net gain in 2016 amounting to P6.8 million. Excluding the one-off gain, Net Income has decreased by about 61% mainly due to higher operating expenses related to business development activities of the Parent Company.

Financial Condition

Main movement in the Group's Balance Sheet in 2017 versus 2016 is the increase in total assets by about ₱12.7 million. This increase is driven mainly by the gain in translation of Paxys NV's dollar-denominated funds and the income generated from the operating subsidiary. The translation gain is shown in the Equity section of the audited consolidated statements of financial position under "Other Equity Reserves".

Following are the highlights of the Group's financial position as at December 31, 2017 and 2016:

In Php'000, except percentage	2017	2016	Y17 vs Y16
Current Assets	₱3,742,200	₱3,728,440	0.4%
Noncurrent Assets	13,395	14,493	(7.6%)
Assets	3,755,595	3,742,933	0.3%
Current Liabilities	26,692	34,230	(22%)
Noncurrent Liabilities	4,064	5,258	(23%)
Equity	3,724,839	3,703,445	0.6%

Liquidity and Capital Resources

The cash used in investing activities pertain mainly to purchase of additional investments in short-duration bonds and managed funds. These are classified as Held-to-Maturity Investments and Available-for-Sale financial assets in the consolidated financial position.

The management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash requirement. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

In Php'000, except percentage	2017	2016	Y17 vs Y16
Net Cash provided by (used in) Operating Activities	(₱13,164)	₱19,730	(167%)

[1] *Operating Income (Loss) = Gross Profit - Gen & Admin Expenses*

Net Cash used in Investing Activities	(95,359)	(285,112)	67%
Net Cash used in Financing Activities	-	-	-
Net decrease in cash and cash equivalents	(108,523)	(265,382)	59%

Updates on Operating Subsidiary - ScopeWorks Asia, Inc. (SWA)

Service income has decreased year on year due to lower demand for transcription service as a result of technological improvements. SWA takes serious measures to address the decreasing revenue volume. In 2016, SWA consolidated its site operations to Laguna resulting to both to lower direct and general expenses. Several mitigating measures were also put in place to address potential losses caused by decreased volume. As a result, SWA recorded a Net Income of P1.3 and P5.9 million as at December 31, 2017 and 2016, respectively. EBITDA is also positive at P2.6 million and P7.7 million for 2017 and 2016, respectively.

SWA is continuously looking for new business opportunities where it can deploy its current operational resources.

SWA's financial highlights for the years ended 31 December 2017 and 2016:

In Php'000, except percentage	2017	2016	Y17 vs Y16
Service Income	₱79,205	₱92,073	(14%)
Gross Profit	12,684	12,226	4%
EBITDA[1]	2,634	7,657	(66%)
Net Income	1,311	5,911	(78%)

Key Performance Indicators

The following are the major financial ratios of the Company for the year ended 31 December 2017 and year ended 31 December 2016:

	2017	2016	Y17 vs Y16
Current Ratio[2]	140.2	108.9	29%
Debt to Equity Ratio[3]	0.01	0.01	-
Return on Equity[4]	0.05%	0.32%	(84%)
EBITDA Margin	11%	21%	(47%)
Net Income margin	2%	13%	(81%)

Plan of Operation

1. The Group is continuously evaluating other investment opportunities. There are prospects and potential investment partners but these are still at the very early stage and none has been finalized to date. Paxys will continue to provide updates to its shareholders once any of the prospective investment opportunities proceed to the next level.

2. Other than Cash, the Group's main assets consist of cash equivalents, investments in short duration bonds, and available-for-sale assets. These assets are highly liquid and are convertible to cash as soon as additional cash requirement arises. The Management believes that it has sufficient level of fund to meet its cash requirement in the next twelve (12) months. The Group does not anticipate any liquidity problems that may arise from its operating activities in the near future.

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[1] *EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.*
[2] *Current Assets/Current Liabilities*
[3] *Total Liabilities/Total Stockholders' Equity*
[4] *Net Income / [(Equity end + Equity beg – Net Income)/2]*

3. There are no expected purchase or sale of plant and significant equipment in the near term.

4. There are no expected significant changes in the number of employees in the Group.

Others Matters

In general, there are no material known trends, demands, commitments, events, transactions, arrangements or items of, by or involving the Company that would require a disclosure pursuant to Part III (A)(2)(A)(i) to (vii) of "Annex C" of the Implementing Rules and Regulations Code, to wit:

1. There are no known trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Company does not anticipate any cash flow or liquidity problems within the next 12 months. As discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations above, the management believes that the current level of cash generated from Operations and borrowing capability are sufficient to meet the Company's immediate cash needs.

2. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. There were no material commitments for expansion or capital expenditures as of reporting period.

4. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

5. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

6. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

7. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

8. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

9. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Compliance with Corporate Governance Practices

The Board of Directors and management, employees and shareholders of Paxys, Inc. firmly believe that good corporate governance is a key component of what constitutes sound strategic business management that will support its pursuit of sustainable long-term shareholder value. Our approach to governance is predicated on the belief that good governance is closely linked to the creation of long-term shareholder value. The basic structures for the company's corporate governance are primarily contained in its Articles of Incorporation and By-laws, Manual on Corporate Governance and its Code of Ethics. The Board recognizes that it is accountable to the company's shareholders for good governance.

The Company continues to have four (4) Board Committees namely the Executive Committee, the Audit and Risk Management Committee, the Nominations Committee and the Compensation and Remuneration Committee. The Audit and Risk Management Committee, in keeping with regulatory requirements, continuously updates its Committee Evaluation and Rating System as needed. Upon review of its charter and evaluation of its performance based on defined rating system, the Committee assessed its performance to be satisfactory, able to engage the Board, management and other stakeholders in risk management, control and governance processes to bring about a positive impact while furthering the goals of the company.

Management and the Board continues to assess the company's risks and implements measures to curb and address its exposures while at the same time optimizing opportunities relative to these risks. The Company monetized several investments in the past. The Company's strong liquidity allows financial flexibility and has prepared the group for future growth and business opportunities. Henceforth, the Company's Directors and management believes it has adequate resources to continue in operation and as such continue to adopt a going concern basis for the annual report.

Republic of the Philippines)
Makati City) S.S.

CERTIFICATION

I, **MAYETTE H. TAPIA**, of legal age, Filipino citizen, with office address at 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines, after having been sworn under oath in accordance with law hereby depose and state that:

1. I am the Corporate Secretary and Corporate Information Officer of **PAXYS, INC.** (the "Company"), a corporation duly organized under Philippine law with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines;

2. I hereby certify that based on information provided to me, none of the following directors and officers of the Company, as of the date of this certification, are employed by nor work for the Philippine Government:

   a) Tarcisio M. Medalla
   b) Roger Leo A. Cariño
   c) Christopher B. Maldia
   d) Lim Ghee Keong
   e) Roberto A. Atendido
   f) Jose Antonio A. Lichauco
   g) George Edwin Y. SyCip
   h) Pablito O. Lim
   i) Mayette H. Tapia
   j) Ana Maria A. Katigbak
   k) Sheri A. Inocencio
   l) Divine Grace M. Gandeza

3. I have executed this Certification to attest to the truth of the foregoing facts as required by the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have signed this Certification on this OCT 0 1 2020 at Makati City.

MAYETTE H. TAPIA
Affiant

SUBSCRIBED AND SWORN on this OCT 0 1 2020 at MAKATI CITY affiant exhibiting to me the following competent evidence of identity:

Name	Competent Evidence of Identity	
	Type of ID and Number	Date and Place of Issue
Mayette H. Tapia	Philippine Passport No. [redacted]	Issued on [redacted] by DFA [redacted] which expires on [redacted]

Doc. No. 41L
Page No. KJ
Book No. ; 3
Series of 2020.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-382 UNTIL DEC 31,2021
ROLL NO.68402
MCLE COMPLIANCE NO. VI-0021936 3-29-2019
IBP OR NO.002262- LIFETIME MEMBER- 5-8-17
PTR NO.2275859 – JAN 21, 2020- PARAÑAQUE CITY
EXECUTIVE BLDG., CENTER MAKATI AVE., COR JUPITER ST.,
MAKATI CITY

Annex B

COVER SHEET

6609

S.E.C. Registration Number

PAXYS, INC.

(Company's Full Name)

15TH FLOOR, 6750 AYALA OFFICE TOWER, AYALA AVENUE, MAKATI CITY

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

MAYETTE H. TAPIA

Contact Person

(+632) 8250-3800

Company Telephone Number

12 31

Month Day

Fiscal Year

Certificate of Independent Directors

FORM TYPE

05

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE ANTONIO A. LICHAUCO**, Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Paxys, Inc. and have been its independent director since May 2004.

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

Company/ Organization	Position/ Relationship	Period of Service
Asian Alliance Investment Corporation	President	2005 to Present
Automated Technology (Phil.), Inc.	Director and Treasurer	2000 to Present

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

4. I am not related to any director, officer or substantial shareholder of Paxys, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Implementing Rules of the Securities Regulation Code (Republic Act 8799).

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

6. I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

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

8. I shall inform the Corporate Secretary of Paxys, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

DONE this OCT 0 1 2020 at Makati City.

JOSE ANTONIO A. LICHAUCO

SUBSCRIBED AND SWORN to before me this OCT 0 1 2020 at Makati City, affiant exhibiting to me his Philippine Passport No. [redacted] issued by DFA [redacted] on [redacted] which expires on [redacted].

Doc. No. 128;
Page No. 84;
Book No. 3;
Series of 2020.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-352 UNTIL DEC 31, 2021
ROLL NO. 68402
MCLE COMPLIANCE NO. VI-0021936 3-29-2019
IBP OR NO. 002202- LIFETIME MEMBER- 5-8-17
PTR NO. 2273859 – JAN 21, 2020- PARAÑAQUE CITY
EXECUTIVE BLDG., CENTER MAKATI AVE., COR JUPITER ST., MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **George Edwin SyCip**, American, of legal age and a resident of 60 Cambridge Circle, North Forbes Park, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Paxys, Inc. and have been its independent director since May 2005.

2. I am affiliated with the following companies or organizations (including government-owned and -controlled corporations):

Company/ Organization	Position/Relationship	Period of Service
Asian Alliance Holdings and Development Corp.	Director	November 1995 to present
Cityland Development Corporation	Director	December 2017 to present
Premiere Horizon Alliance Corporation	Director	February 2018 to present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Paxys, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances by the Securities and Exchange Commission (**"SEC"**).

4. I am not related to any director, officer, or substantial shareholder of Paxys, Inc. or its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Implementing Rules of the Securities Regulation Code.

5. To the best of my knowledge, I hereby disclose that I am the subject of the following criminal or administrative investigations or proceedings.

Offense Charged/Investigated	Tribunal/Agency Involved	Status
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – preliminary investigation	Office the Secretary – Department of Justice (OSEC-PR-DTF-2-010916-001; NPS Docket Nos. XVI-INV-15B-00033 to 00034, titled *Harvest All Investment Limited, et al. v. Annsley B. Bangkas, et al./Harvest All Investment Limited, et al. v. George SyCip, et al.*)	The Department of Justice ("DOJ") reversed the dismissal of the cases by the DOJ Prosecution Staff even though there was a finding that the directors, including myself, have not issued a board resolution that expressly denied the inspection request. My *Motion for Reconsideration* of the DOJ *Resolution* is pending.
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right	Metropolitan Trial Court of Pasig, Branch 71 (Criminal Case Nos. M-PSG-18-00148-CR to 00149-CR, titled *People of the*	This is an offshoot of the case above (*e.g.*, NPS Docket Nos. XVI-INV-15B-00033 to 00034). The case has been set for arraignment

to inspect) – filed in court	*Philippines v. Annsley B. Bangkas, et al.*)	on October 8, 2020, at 8:30 a.m., although the court's *Order* finding probable cause against me and the co-accused for the issuance of a warrant of arrest is the subject of a *Petition for Certiorari* pending with the Regional Trial Court of Pasig. On September 1, 2020, I filed an *Omnibus Motion to [a] Quash Information and Dismiss Criminal Action; and [b] Suspend Proceedings* on September 1, 2020. The motion is pending.
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – preliminary investigation	Department of Justice – Office of the Secretary of Justice (NPS Docket No. XVI-INV-15B-00053, titled *Hedy S.C. Yap-Chua v. Jonathan Y. Dee, et al.*)	The Office of the Prosecutor General of the DOJ, through a *Review Resolution* dated March 20, 2018 ("**March 20 Resolution**") ruled in favor of the complainant even though the inspection request was granted by the board of directors, including myself. My *Petition for Review* of the March 20 Resolution, as well as *Petitions* filed by some of my co-respondents, are currently pending with the Secretary of Justice.
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – filed in court	Metropolitan Trial Court of Pasig, Branch 70 (Criminal Case Nos. M-PSG-18-00075-CR to 00076-CR, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*e.g.*, NPS Docket No. XVI-INV-15B-00053). The prosecution filed an *Amended Information*, which is the subject of *Motions to Quash* filed by my co-accused in view of the court's lack of subject matter jurisdiction. The court issued an *Order* dated March 6, 2020 ("**March 6 Order**") dismissing the case. A motion for reconsideration of March 6 Order has been filed and is pending.

Alleged violation of Presidential Decree No. 1689, in relation to Article 315(2)(a) of the Revised Penal Code (syndicated *estafa*) and Article 171(1) of the Revised Penal Code (falsification of public document) – preliminary investigation	Office the Secretary – Department of Justice (NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843, titled *Victory Fund Limited, et al. v. Jonathan Y. Dee, et al./Jonathan Y. Dee, et al. v. Hedy S.C. Yap-Chua*)	The Office of the City Prosecutor – Manila dismissed both *Complaints*. The complainants' *Appeal* with the DOJ was also denied. Through a *Resolution* dated March 27, 2018 (“**March 27 Resolution**”), the DOJ partially granted the complainants' motion for reconsideration by finding probable cause for simple *estafa* against me and some of my co-respondents; the DOJ affirmed its ruling dismissing the syndicated *estafa* and falsification of public document charges. Several respondents, including myself, have filed *Motions for Reconsideration* of the March 27 Resolution, which are pending. One of the respondents filed a *Petition for Certiorari* with the Court of Appeals to challenge the March 27 Resolution.
Alleged violation of Article 315(2)(a) of the Revised Penal Code (*estafa*) – filed in court	Regional Trial Court of Makati, Branch 143 (Criminal Case Nos. R-MKT-19-01308, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*e.g.*, NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843). The prosecution filed the *Information* in court after the DOJ, in its March 27 Resolution, found probable cause to charge me and some of my co-respondents for simple *estafa*. My representative was not allowed to review the record, although I received unconfirmed reports that the court has not yet issued an order directing the issuance of warrants of arrest, and that one of the accused may have filed a motion to quash the *Information*. Though the

		court has not acquired personal jurisdiction over me, it is sending notices to my counsel of record in the preliminary investigation for the schedule of prosecution's evidence presentation.

6. I am neither an officer nor an employee of any government agency or government-owned and -controlled corporation.

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

8. I shall inform the Corporate Secretary of Paxys, Inc. of any changes in the abovementioned information within five days from its occurrence.

DONE this October 1, 2020 at San Francisco, California USA.

George Edwin SyCip
Affiant

SUBSCRIBED AND SWORN to before me this ______________ at ______________, affiant personally appeared before me and exhibited to me his Passport No. [redacted], issued on [redacted] by the U.S. Department of State, U.S.A. and which expires on [redacted]

Doc No. ______;
Page No.______;
Book No. ______;
Series of 2020.

> A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Francisco)

Subscribed and sworn to (or affirmed) before me on **October 1, 2020** by *** * *George Edwin Sycip * * ***, proved to me on the basis of satisfactory evidence to be the person(s) appeared before me.

ALEXANDRA E. LIOANAG
Notary Public - California
San Francisco County
Commission # [redacted]
My Comm. Expires Sep 16, 2023

Signature
Alexandra E. Lioanag, Notary Public

PAXYS

CERTIFICATION

I, **MAYETTE H. TAPIA**, a Corporate Secretary of **PAXYS, INC.** with SEC registration number 6609, with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, on oath state:

1. That, on behalf of **PAXYS, INC.,** I have caused the following to be prepared:
    a) SEC Form 17C (Certification of Independent Directors); and
    b) Reply letter to SEC Letter dated 28 August 2020;

2. That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3. That PAXYS INC. will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4. That I am fully aware that documents filed online which require pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this OCT 0 2 2020 day of October, 2020.

MAYETTE H. TAPIA
Corporate Secretary
Philippine Passport No. [redacted]

SUBSCRIBED AND SWORN to before me in this OCT 0 2 2020 day of October 2020 at Makati City, affiant exhibited to me her Philippine Passport No. [redacted] issued by DFA [redacted] on [redacted] and valid until [redacted].

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT NO [illegible] UNTIL DEC 31,2021
[illegible]
MCLE COMPLIANCE [illegible] 3-29-2019
IBP OR NO. [illegible] MEMBER- 5-8-17
PTR NO. [illegible] 2020- PARAÑAQUE CITY
EXECUTIVE BLDG., CENTER MAKATI AVE., COR JUPITER ST.,
MAKATI CITY

Doc. No. 152;
Page No. 32;
Book No. 4;
Series of 2020.

Republic of the Philippines)
Makati City) S.S.

UNDERTAKING

I, **MAYETTE H. TAPIA**, of legal age, Filipino citizen, with office address at 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines, after having been sworn under oath in accordance with law hereby depose and state that:

1. I am the Corporate Secretary and Corporate Information Officer of **PAXYS, INC.** (the "Company"), a corporation duly organized under Philippine law with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines;

2. In compliance with the Securities and Exchange Commission ("SEC") requirements, the Company has attached the notarized Certifications on the qualifications and disqualifications of its independent directors, particularly Mr. Jose Antonio A. Lichauco and Mr. George Edwin Y. SyCip, respectively.

3. In order to ensure compliance, I hereby undertake, on behalf of the Company to submit to the SEC the consularized original copy of Mr. George Edwin Y. SyCip's Certification within thirty (30) days before the Company's annual shareholders' meeting.

4. I have executed the foregoing to confirm the Company's Undertaking as required by the SEC.

IN WITNESS WHEREOF, I have signed this Undertaking on this OCT 0 1 2020 at Makati City.

MAYETTE H. TAPIA
Affiant

SUBSCRIBED AND SWORN on this OCT 0 1 2020 at MAKATI CITY affiant exhibiting to me the following competent evidence of identity:

Name	Competent Evidence of Identity	
	Type of ID and Number	Date and Place of Issue
Mayette H. Tapia	Philippine Passport No. [redacted]	Issued on [redacted] by DFA [redacted] which expires on [redacted]

Doc. No. 418
Page No. 85
Book No. 3
Series of 2020.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-332 UNTIL DEC 31,2021
ROLL NO.68402
MCLE COMPLIANCE NO. VI 0021336 3-29-2019
IBP OR NO.002282- LIFETIME MEMBER- 5-8-17
PTR NO.2275859 – JAN 21, 2020- PARAÑAQUE CITY
EXECUTIVE BLDG., CENTER MAKATI AVE., COR JUPITER ST.,
MAKATI CITY

COVER SHEET

- 6 6 0 9 -

SEC Registration Number

P A X Y S , I N C .

(Company's Full Name)

1 5 T H F L O O R 6 7 5 0 A Y A L A O F F I C E
T O W E R , A Y A L A A V E N U E , M A K A T I
C I T Y

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

Atty. Mayette H. Tapia	(+632) 8250-3800/ (+63 919-088-5562)
Contact Person	Company Telephone Number

SEC Form 17-C

1 2	3 1		0 5	
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 THEREUNDER

1. 9 October 2020
   Date of Report (Date of earliest event reported)

2. SEC Identification Number 6609

3. BIR Tax Identification No. 000-233-218-000

4. **PAXYS, INC.**
   Exact name of registrant as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)

7. 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City 1226
   Address of principal office Postal Code

8. (+632) 8250-3800 / (+63) 919-088-5563

   Registrant's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	1,148,534,866 common shares

Item 9.

We provide herewith the original copy of the notarized Certification of Independent Director executed by Mr. George Edwin Y. SyCip.

We commit to provide the consularized copy once available.

SIGNATURES

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

PAXYS, INC.

MAYETTE H. TAPIA
Corporate Secretary/
Corporate Information Officer

Date: 9 October 2020

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **George Edwin SyCip**, American, of legal age and a resident of 60 Cambridge Circle, North Forbes Park, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Paxys, Inc. and have been its independent director since May 2005.

2. I am affiliated with the following companies or organizations (including government-owned and -controlled corporations):

Company/ Organization	Position/Relationship	Period of Service
Asian Alliance Holdings and Development Corp.	Director	November 1995 to present
Cityland Development Corporation	Director	December 2017 to present
Premiere Horizon Alliance Corporation	Director	February 2018 to present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Paxys, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances by the Securities and Exchange Commission ("**SEC**").

4. I am not related to any director, officer, or substantial shareholder of Paxys, Inc. or its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Implementing Rules of the Securities Regulation Code.

5. To the best of my knowledge, I hereby disclose that I am the subject of the following criminal or administrative investigations or proceedings.

Offense Charged/Investigated	Tribunal/Agency Involved	Status
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – preliminary investigation	Office the Secretary – Department of Justice (OSEC-PR-DTF-2-010916-001; NPS Docket Nos. XVI-INV-15B-00033 to 00034, titled *Harvest All Investment Limited, et al. v. Annsley B. Bangkas, et al./Harvest All Investment Limited, et al. v. George SyCip, et al.*)	The Department of Justice ("DOJ") reversed the dismissal of the cases by the DOJ Prosecution Staff even though there was a finding that the directors, including myself, have not issued a board resolution that expressly denied the inspection request. My *Motion for Reconsideration* of the DOJ *Resolution* is pending.
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right	Metropolitan Trial Court of Pasig, Branch 71 (Criminal Case Nos. M-PSG-18-00148-CR to 00149-CR, titled *People of the*	This is an offshoot of the case above (*e.g.*, NPS Docket Nos. XVI-INV-15B-00033 to 00034). The case has been set for arraignment

to inspect) – filed in court	*Philippines v. Annsley B. Bangkas, et al.*)	on October 8, 2020, at 8:30 a.m., although the court's *Order* finding probable cause against me and the co-accused for the issuance of a warrant of arrest is the subject of a *Petition for Certiorari* pending with the Regional Trial Court of Pasig. On September 1, 2020, I filed an *Omnibus Motion to [a] Quash Information and Dismiss Criminal Action; and [b] Suspend Proceedings* on September 1, 2020. The motion is pending.
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – preliminary investigation	Department of Justice – Office of the Secretary of Justice (NPS Docket No. XVI-INV-15B-00053, titled *Hedy S.C. Yap-Chua v. Jonathan Y. Dee, et al.*)	The Office of the Prosecutor General of the DOJ, through a *Review Resolution* dated March 20, 2018 ("**March 20 Resolution**") ruled in favor of the complainant even though the inspection request was granted by the board of directors, including myself. My *Petition for Review* of the March 20 Resolution, as well as *Petitions* filed by some of my co-respondents, are currently pending with the Secretary of Justice.
Alleged violation of Sections 74 and 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – filed in court	Metropolitan Trial Court of Pasig, Branch 70 (Criminal Case Nos. M-PSG-18-00075-CR to 00076-CR, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*e.g.*, NPS Docket No. XVI-INV-15B-00053). The prosecution filed an *Amended Information*, which is the subject of *Motions to Quash* filed by my co-accused in view of the court's lack of subject matter jurisdiction. The court issued an *Order* dated March 6, 2020 ("**March 6 Order**") dismissing the case. A motion for reconsideration of March 6 Order has been filed and is pending.

Alleged violation of Presidential Decree No. 1689, in relation to Article 315(2)(a) of the Revised Penal Code (syndicated *estafa*) and Article 171(1) of the Revised Penal Code (falsification of public document) – preliminary investigation	Office the Secretary – Department of Justice (NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843, titled *Victory Fund Limited, et al. v. Jonathan Y. Dee, et al./Jonathan Y. Dee, et al. v. Hedy S.C. Yap-Chua*)	The Office of the City Prosecutor – Manila dismissed both *Complaints*. The complainants' *Appeal* with the DOJ was also denied. Through a *Resolution* dated March 27, 2018 (**"March 27 Resolution"**), the DOJ partially granted the complainants' motion for reconsideration by finding probable cause for simple *estafa* against me and some of my co-respondents; the DOJ affirmed its ruling dismissing the syndicated *estafa* and falsification of public document charges. Several respondents, including myself, have filed *Motions for Reconsideration* of the March 27 Resolution, which are pending. One of the respondents filed a *Petition for Certiorari* with the Court of Appeals to challenge the March 27 Resolution.
Alleged violation of Article 315(2)(a) of the Revised Penal Code (*estafa*) – filed in court	Regional Trial Court of Makati, Branch 143 (Criminal Case Nos. R-MKT-19-01308, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*e.g.*, NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843). The prosecution filed the *Information* in court after the DOJ, in its March 27 Resolution, found probable cause to charge me and some of my co-respondents for simple *estafa*. My representative was not allowed to review the record, although I received unconfirmed reports that the court has not yet issued an order directing the issuance of warrants of arrest, and that one of the accused may have filed a motion to quash the *Information*. Though the

		court has not acquired personal jurisdiction over me, it is sending notices to my counsel of record in the preliminary investigation for the schedule of prosecution's evidence presentation.

6. I am neither an officer nor an employee of any government agency or government-owned and -controlled corporation.

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

8. I shall inform the Corporate Secretary of Paxys, Inc. of any changes in the abovementioned information within five days from its occurrence.

DONE this October 1, 2020 at San Francisco, California USA.

George Edwin SyCip
Affiant

SUBSCRIBED AND SWORN to before me this ______________ at ______________, affiant personally appeared before me and exhibited to me his Passport No. [redacted], issued on [redacted] by the U.S. Department of State, U.S.A. and which expires on [redacted].

Doc No. ______;
Page No.______;
Book No. ______;
Series of 2020.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Francisco)

Subscribed and sworn to (or affirmed) before me on **October 1, 2020** by *** * *George Edwin Sycip * * ***, proved to me on the basis of satisfactory evidence to be the person(s) appeared before me.

ALEXANDRA E. LIOANAG
Notary Public - California
San Francisco County
Commission # [redacted]
My Comm. Expires Sep 16, 2023

Signature
Alexandra E. Lioanag, Notary Public

Republic of the Philippines)
Makati City) S.S.

UNDERTAKING

I, **MAYETTE H. TAPIA**, of legal age, Filipino citizen, with office address at 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines, after having been sworn under oath in accordance with law hereby depose and state that:

1. I am the Corporate Secretary and Corporate Information Officer of **PAXYS, INC.** (the "Company"), a corporation duly organized under Philippine law with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines;

2. In compliance with the Securities and Exchange Commission ("SEC") requirements, the Company has attached the notarized Certifications on the qualifications and disqualifications of its independent directors, particularly Mr. Jose Antonio A. Lichauco and Mr. George Edwin Y. SyCip, respectively.

3. In order to ensure compliance, I hereby undertake, on behalf of the Company to submit to the SEC the consularized original copy of Mr. George Edwin Y. SyCip's Certification within thirty (30) days before the Company's annual shareholders' meeting.

4. I have executed the foregoing to confirm the Company's Undertaking as required by the SEC.

IN WITNESS WHEREOF, I have signed this Undertaking on this OCT 0 1 2020 at Makati City.

MAYETTE H. TAPIA
Affiant

SUBSCRIBED AND SWORN on this OCT 0 1 2020 at MAKATI CITY affiant exhibiting to me the following competent evidence of identity:

Name	Competent Evidence of Identity	
	Type of ID and Number	Date and Place of Issue
Mayette H. Tapia	Philippine Passport No. [redacted]	Issued on [redacted] by DFA [redacted] which expires on [redacted]

Doc. No. 48
Page No. 85
Book No. 3
Series of 2020.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-332 UNTIL DEC 31,2021
ROLL NO.68402
MCLE COMPLIANCE NO. VI 0021336 3-29-2019
IBP OR NO.002282- LIFETIME MEMBER- 5-8-17
PTR NO.2275859 – JAN 21, 2020- PARAÑAQUE CITY
EXECUTIVE BLDG., CENTER MAKATI AVE., COR JUPITER ST., MAKATI CITY

PAXYS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Paxys, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, including the schedules attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Tarcisio M. Medalla
Chairman of the Board and President

Pablito O. Lim
Chief Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME THIS JUN 19 2020 AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER ______ NO. ______ ISSUED ______ AT ______

Signed this 27th day of March 2020

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
2086 E. Pasong St., Makati City
IBP O.R No. 097071/ December 10, 2019
Roll No. 28947/ MCLE No. VI-0020247
PTR No. MKT 8117044/1-02-2020
Appointment No. M-138

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PAGE NO 78
BOOK NO. 37
SERIES OF 2020

15th Floor • 6750 Ayala Office Tower
Ayala Avenue, Makati City, Philippines 1226
Tel No. (02) 8250-3800 • Fax No. (02) 8250-3801
www.paxys.com

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							6	6	0	9

COMPANY NAME

PAXYS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

15th Floor, 6750 Ayala Office Tower,
Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	(632) 8250-3800	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
714	December 12	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Mayette H. Tapia	mayette.tapia@paxys.com	(632) 8250-3800	–

CONTACT PERSON'S ADDRESS

15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Paxys, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of income, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019 and notes to consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Accounting for Financial Assets</u>

The Group has significant amount of financial assets, which mainly consist of cash equivalents and investment securities. This is significant to our audit because the aggregate balance of financial assets amounting to ₱3,794.3 million as at December 31, 2019 is substantial in relation to the consolidated financial statements as a whole.

We have assessed the propriety of recognition, classification and measurement, as well as management's assessment of the impairment of financial assets. Our audit procedures included, among others, (a) understanding of financial asset management and recording process; (b) verifying the existence of financial assets by obtaining external confirmations from custodians and reviewing underlying documents; (c) evaluating the propriety of the classification of financial instruments based on a duly approved business model; (d) testing the reasonableness of recorded interest income and the changes in fair values of financial assets measured at fair value through profit or loss and other comprehensive income; and (e) evaluating management's assessment of impairment losses on financial assets based on expected credit losses.

Necessary disclosures are included in Note 5, *Cash and Cash Equivalents*, Note 6, *Investment Securities*, and Note 24, *Financial Instruments*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified in the foregoing when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore considered key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2019
Valid until October 20, 2022
PTR No. 8116475
Issued January 6, 2020, Makati City

March 27, 2020
Makati City, Metro Manila

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱3,287,798**	₱3,155,310
Investment securities	6	**458,640**	670,599
Trade and other receivables	7	**44,289**	38,904
Other current assets	8	**22,905**	20,159
Total Current Assets		**3,813,632**	3,884,972
Noncurrent Assets			
Right-of-use assets	23	**38,369**	–
Property and equipment	10	**6,035**	7,918
Intangible assets	11	**316**	610
Other noncurrent assets	12	**8,771**	11,891
Total Noncurrent Assets		**53,491**	20,419
		₱3,867,123	₱3,905,391
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	**₱27,203**	₱28,674
Current portion of lease liabilities	23	**14,420**	–
Income tax payable		**22**	208
Total Current Liabilities		**41,645**	28,882
Noncurrent Liabilities			
Lease liabilities - net of current portion	23	**23,153**	–
Retirement liability	14	**13,544**	11,531
Other noncurrent liabilities		**1,802**	1,349
Total Noncurrent Liabilities		**38,499**	12,880
Total Liabilities		**80,144**	41,762
Equity	15		
Capital stock		**1,148,535**	1,148,535
Additional paid-in capital		**451,364**	451,364
Parent shares held by a subsidiary		**(1,149,886)**	(1,149,886)
Other equity reserves		**416,426**	517,358
Retained earnings		**2,920,540**	2,896,258
Total Equity		**3,786,979**	3,863,629
		₱3,867,123	₱3,905,391

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Amounts in Thousands, except Basic/Diluted Earnings per Share

		Years Ended December 31		
	Note	2019	2018	2017
REVENUE		**₱78,506**	₱86,477	₱79,205
COST OF SERVICES	17	**(58,383)**	(65,506)	(66,521)
GROSS PROFIT		**20,123**	20,971	12,684
GENERAL AND ADMINISTRATIVE EXPENSES	18	**(100,390)**	(101,592)	(85,826)
INTEREST INCOME	20	**116,548**	95,408	74,927
NET FOREIGN EXCHANGE GAIN (LOSS)		**(2,758)**	4,436	321
INTEREST EXPENSE	23	**(1,526)**	–	–
OTHER INCOME	20	**2,712**	1,103	5,425
INCOME BEFORE INCOME TAX		**34,709**	20,326	7,531
INCOME TAX EXPENSE (BENEFIT)	21			
Current		**10,427**	6,744	6,080
Deferred		**–**	(505)	(503)
		10,427	6,239	5,577
NET INCOME		**₱24,282**	₱14,087	₱1,954
BASIC/DILUTED EARNINGS PER SHARE	22	**₱0.030**	₱0.018	₱0.002

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

Amounts in Thousands

		Years Ended December 31		
	Note	**2019**	2018	2017
NET INCOME		**₱24,282**	₱14,087	₱1,954
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be Reclassified to Profit or Loss				
Translation adjustments		**(106,137)**	138,161	10,275
Unrealized fair value gain (loss) on investment securities	6	**5,874**	(6,500)	6,945
Item not to be Reclassified to Profit or Loss				
Remeasurement gain (loss) on retirement liability	14	**(669)**	(6,958)	2,220
		(100,932)	124,703	19,440
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱76,650)**	₱138,790	₱21,394

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in Thousands

		Years Ended December 31		
	Note	**2019**	2018	2017
CAPITAL STOCK	15			
Balance at beginning and end of year		**₱1,148,535**	₱1,148,535	₱1,148,535
ADDITIONAL PAID-IN CAPITAL	15			
Balance at beginning and end of year		**451,364**	451,364	451,364
PARENT SHARES HELD BY A SUBSIDIARY	15			
Balance at beginning and end of year		**(1,149,886)**	(1,149,886)	(1,149,886)
OTHER EQUITY RESERVES				
Cumulative Translation Adjustment				
Balance at beginning of year		**523,263**	385,102	374,827
Translation gain (loss)		**(106,137)**	138,161	10,275
Balance at end of year		**417,126**	523,263	385,102
Cumulative Fair Value Changes on Investment Securities	6			
Balance at beginning of year		**(4,678)**	14,765	7,820
Net unrealized gain (loss) on fair value changes		**5,874**	(6,500)	6,945
Transfer of realized fair value gain on redemption of investment securities		**–**	(12,943)	–
Balance at end of year		**1,196**	(4,678)	14,765
Cumulative Remeasurement Gain (Loss) on Retirement Liability	14			
Balance at beginning of year		**(1,227)**	5,731	3,511
Remeasurement gain (loss)		**(669)**	(6,958)	2,220
Balance at end of year		**(1,896)**	(1,227)	5,731
		416,426	517,358	405,598
RETAINED EARNINGS	15			
Balance at beginning of year		**2,896,258**	2,869,228	2,867,274
Net income		**24,282**	14,087	1,954
Transfer of realized fair value gain on redemption of investment securities	6	**–**	12,943	–
Balance at end of year		**2,920,540**	2,896,258	2,869,228
		₱3,786,979	₱3,863,629	₱3,724,839

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Thousands

	Note	2019	2018	2017
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱34,709**	₱20,326	₱7,531
Adjustments for:				
Interest income	20	**(116,548)**	(95,408)	(74,927)
Depreciation and amortization	20	**19,379**	2,479	1,462
Interest expense on lease liabilities	23	**1,526**	–	–
Net retirement benefits	14	**1,344**	509	1,026
Unrealized fair value gain on investment securities	20	**(540)**	–	–
Net unrealized foreign exchange loss (gain)		**389**	(268)	89
Provision for impairment losses on:				
Input value-added tax	18	**6**	792	2,409
Trade and other receivables	18	**–**	6,255	13,151
Gain on disposal of property and equipment	20	**–**	(406)	(357)
Gain on redemption of investment securities	20	**–**	(22)	(53)
Reversal of payables	20	**–**	–	(3,743)
Operating loss before working capital changes		**(59,735)**	(65,743)	(53,412)
Decrease (increase) in:				
Investment securities measured at fair value through profit or loss	6	**(254,345)**	1,078	–
Trade and other receivables		**(1,509)**	2,490	(16,135)
Other current assets		**(3,009)**	(6,080)	(3,776)
Other noncurrent assets		**216**	(597)	141
Increase (decrease) in:				
Trade and other payables		**(4,628)**	4,297	(3,399)
Other noncurrent liabilities		**453**	1,349	–
Net cash used for operations		**(322,557)**	(63,206)	(76,581)
Interest received		**111,538**	104,580	69,390
Income taxes paid		**(10,613)**	(6,221)	(5,973)
Net cash provided by (used in) operating activities		**(221,632)**	35,153	(13,164)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Redemption of investment securities measured at fair value through other comprehensive income and at amortized cost	6	**450,786**	237,002	631,617
Disposal of property and equipment	10	**–**	406	357
Additions to:				
Property and equipment	10	**(2,402)**	(8,322)	(362)
Intangible assets	11	**(26)**	(584)	(143)
Investment securities measured at fair value through other comprehensive income and at amortized cost	6	**–**	–	(726,828)
Net cash provided by (used in) investing activities		**448,358**	228,502	(95,359)

(Forward)

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOW FROM A FINANCING ACTIVITY				
Payments of lease liabilities	23	**(₱15,378)**	₱–	₱–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**211,348**	263,655	(108,523)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(78,860)**	133,126	10,186
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,155,310**	2,758,529	2,856,866
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱3,287,798**	₱3,155,310	₱2,758,529

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts in Thousands, Except as Indicated

1. Corporate Information

Paxys, Inc. (Paxys or the Parent Company) is an investment holding company incorporated in the Philippines and listed (stock symbol: PAX) in the Philippine Stock Exchange (PSE). The Parent Company was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. On June 18, 2001, the SEC approved the extension of corporate existence for 50 years until February 2052. However, in accordance with the Revised Corporation Code of the Philippines, effective February 23, 2019, the Parent Company shall have a perpetual existence.

As at December 31, 2019 and 2018, the major shareholders of the Parent Company are All Asia Customer Services Holdings Ltd (AACSHL), a company incorporated in Hong Kong, and Paxys N.V., a wholly owned subsidiary of the Parent Company, with 54.93% and 30.09% equity interest, respectively.

At present, Scopeworks Asia, Inc. (SWA), the operating subsidiary, provides outsourcing services such as customer service, facilities and support services, back office services, leasing and subleasing.

The Parent Company and its subsidiaries are collectively referred herein as the Group.

The registered office address of the Parent Company is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issuance by the Board of Directors (BOD) on March 27, 2020, upon endorsement by the Group's Audit, Risk Management, and Related Party Transactions Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company. All amounts are rounded to the nearest thousands, unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Investment securities measured at fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI)	Fair value
Retirement liability	Present value of the defined benefit retirement obligation less the fair value of the plan assets
Lease liabilities	Present value of discounted minimum lease payments

Historical cost is generally based on the fair value of the consideration given in exchange for an asset or the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured and/or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as discussed in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes to consolidated financial statements:

Note 3, *Significant Judgments, Accounting Estimates and Assumptions*
Note 24, *Financial Instruments*

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous reporting year, except for the adoption of the following new and amended PFRS effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, Standard Interpretations Committee (SIC) -15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 and distinguish between the two types of leases: operating and finance leases.

  Prior to the adoption of PFRS 16, the Group classified leases as operating leases under PAS 17. These pertain to office space, parking space, storage and office equipment. The leases of storage and office equipment are considered as low-value assets and excluded from the recognition of right-of-use (ROU) assets and lease liabilities.

  At transition, as a lessee, the Group recognized ROU assets and lease liabilities for leases previously classified as operating leases under PAS 17. Lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate of 4% as at January 1, 2019. ROU assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

  The Group used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17.

  - Applied PFRS 16 only to lease agreements that were previously identified as leases applying PAS 17 at the date of initial application.

  - Applied the exemption not to recognize ROU assets and lease liabilities for leases with low-value assets.

  - Used hindsight in determining the lease term if the lease agreement contains options to extend or terminate the lease.

Impact on Transition
The Group adopted PFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized as part of the ROU assets as at January 1, 2019. Accordingly, there is no adjustment on the beginning retained earnings and no restatement in the 2018 comparative financial information.

The impact on transition as at January 1, 2019 is summarized below:

	Note	Increase (Decrease)
ROU assets	23	₱53,143
Lease liabilities	23	51,425
Advance rent	23	(3,161)
Accrued rent	23	(1,443)

The reconciliation of operating lease commitments as at December 31, 2018 under PAS 17 discounted using the incremental borrowing rate as at January 1, 2019 and the lease liabilities recognized as at January 1, 2019 under PFRS 16 follows:

Operating lease commitments as at December 31, 2018 (see Note 23)	₱24,557
Recognition of additional leases	31,580
Discount at incremental borrowing rate	(4,312)
Exempt leases with less than 12 months term and low-value assets at transition date	(400)
Lease liabilities recognized as at January 1, 2019	₱51,425

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at FVOCI).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.

- Annual Improvements to PFRS 2015 to 2017 Cycle:

  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations,* clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements,* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends; such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Group, except for PFRS 16 as discussed in the foregoing. Additional disclosures were included in the consolidated financial statements, as applicable.

New and Amended PFRS Issued but Not yet Effective
Relevant new and amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance–in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, an integrated set of activities and assets must now include 'an input and a substantive process that because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, which it controls as at December 31 of each year. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

The wholly-owned subsidiaries of the Parent Company are as follows:

	Line of Business	Principal Place of Business
Paxys N.V.	Investment holding	Curacao
Paxys Ltd.	Investment holding	Hong Kong
SWA	Business process outsourcing	Philippines
Paxys Realty, Inc. (PRI)	Real estate	Philippines
Paxys Global Services Pte. Ltd. (PGSPL)	Business process outsourcing	Singapore
Regional Operating Headquarters of PGSPL (PGS ROHQ)	Shared services	Philippines

PRI, PGSPL and PGS ROHQ are currently not in operations.

Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except Paxys N.V. and Paxys Ltd., is the Philippine Peso. The functional currency of Paxys N.V. and Paxys Ltd. is the United States Dollar (US$). As at reporting date, the assets and liabilities of Paxys N.V. and Paxys Ltd. have been translated to the functional and presentation currency of the Parent Company (the Philippine Peso) at the closing exchange rate, while the profit and loss accounts are translated using weighted average exchange rate. The exchange differences arising on the translation of these accounts recorded in the "Cumulative translation adjustment," a separate component of equity included as part of "Other equity reserves."

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. 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.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of equity interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company 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.

The separate financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position;

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. The remaining equity interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are recognized as expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the year by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting should be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting should be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized should be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

Classification. Starting January 1, 2018, the Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

This category includes investment in Unit Investment Trust Fund (UITF), which was previously classified available-for-sale (AFS) financial asset under PAS 39.

Financial Assets at FVOCI. For debt instruments, financial assets should be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and to sell the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group irrevocably designates the financial asset to be measured at FVOCI notwithstanding the foregoing conditions.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When debt instruments carried at FVOCI are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years.

This category includes investments in various bonds, which were previously classified as AFS financial assets under PAS 39.

Financial Assets at Amortized Cost. A financial asset should be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process.

Financial assets at amortized cost are included under current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group classifies its cash and cash equivalents, trade and other receivables, investment in unquoted bonds and rental and security deposits under this category.

Under PAS 39, cash and cash equivalents and trade and other receivables were classified as loans and receivables while investment in bonds were classified as AFS financial assets and held-to-maturity (HTM) investments.

Prior to adoption of PFRS 9, the Group classifies its financial assets into the following categories: financial assets at FVPL, loans and receivables, HTM investments and AFS financial assets. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment losses in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets which are designated as such or are not classified in any other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains and losses recognized as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income is recognized in profit or loss. The effective yield component of AFS financial assets, as well as the impact on foreign currency-denominated AFS financial assets, is recognized in profit or loss. Interest earned on holding AFS financial assets is recognized as "Interest income" using effective interest method.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the positive intention and ability to hold to maturity. When the Group sells more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category is tainted and should be reclassified as AFS financial assets.

After initial recognition, HTM investments are subsequently measured at amortized cost using the effective interest method, less allowance for any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is recognized in profit or loss.

Financial Liabilities

Classification. The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL and financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The Group does not have financial instruments classified as financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVPL or the entity elects to measure the liability at FVPL. Financial liabilities are recognized when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Group classifies its trade and other payables (excluding statutory payables), lease liabilities and other noncurrent liabilities under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, the Group changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets
The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

The Group recognizes impairment loss based on ECL, which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group calculates impairment based on lifetime ECL using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, which comprise cash equivalents, investment securities, other receivables (including due from related parties) and rental and security deposits, ECL is based on 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For a financial asset that is credit-impaired at the reporting date, an entity should measure the ECL as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset original effective interest rate. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events, among others: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event or (c) the disappearance of an active market for that financial asset because of financial difficulties. It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Financial assets are written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of Financial Assets and Liabilities
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Group when:

- The rights to receive cash flows from the asset has expired; or

- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Other Current Assets

Other current assets, which consist of input value-added tax (VAT) and prepaid expenses, are carried at face value, net of allowance for impairment losses.

Input VAT. Input VAT represents the net amount of VAT recoverable from the tax authority. Revenue, expenses and assets are recognized, net of the amount of VAT, except where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority.

Prepaid Expenses. Prepaid expenses are expenses paid in advance and recorded as assets before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and recognized in profit or loss when incurred. Prepaid expenses that are expected to be realized within 12 months after the reporting year are classified as current assets. Otherwise, these are classified as other noncurrent assets.

Prepaid expenses include CWT which represents the amount of tax withheld by the lessees in relation to the Group's rent income. CWT can be utilized as payment for income taxes provide that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. Unutilized CWT can also be claimed for refund and cannot be withdrawn. CWT that is expected to be utilized as payment for income taxes within 12 months after the reporting year is classified as current assets. Otherwise, this is classified as other noncurrent asset.

Investments in Joint Ventures

The Parent Company has interests in joint ventures, whereby the venturers have a contractual arrangement that establishes joint control. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discountinues recognizing its share of further losses.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the investment may be impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount and recognizes the difference in profit or loss.

After the Group's investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not previously recognized.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year these are incurred.

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related asset or up to the date of the next major renovation, whichever is shorter.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives of the assets as follows:

Asset Type	Number of Years
Computer equipment	3 to 5
Communication equipment	3 to 5
Leasehold improvements	5 or lease term, whichever is shorter
Office furniture, fixtures and equipment	2 to 5
Transportation equipment	5

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method of property and equipment are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment are retained in the books until these are no longer being used in the operations.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and any impairment are derecognized. Gains and losses on disposals or retirement are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

Intangible Assets

Intangible assets are composed of website and software packages.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are recognized in profit or loss in the year in which the expenditures are incurred.

Intangible assets are amortized over the estimated economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with finite lives are amortized over three to five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying amount of ROU assets, property and equipment, intangible assets and investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful lives.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Parent Shares Held by a Subsidiary. Where any entity of the Group purchases the Parent Company's shares (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related tax effect, is included in equity.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Other Comprehensive Income
Other comprehensive income comprise items of income and expenses (including items previously presented as other equity reserves under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive income, which is presented as "Other equity reserves," includes cumulative translation adjustment, cumulative fair value changes on investment securities and cumulative remeasurement gain or loss on retirement liability.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Service Income. Revenue is recognized as services are rendered.

Interest Income. Revenue is recognized as the interest accrues using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other Income. Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the year in the form of outflows, decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Cost of Services. Costs of services are recognized as expense when the related services are rendered.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business and cost incurred to sell and market the services. These expenses are recognized in profit or loss as incurred.

Interest Expense. Interest expense is recognized on lease liabilities which are measured at amortized cost using the effective interest method.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

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

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed by a qualified actuary.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and interest cost or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognizes restructuring-related costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income.

The retirement liability is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Actuarial valuations are made annually so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Termination Benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

<u>Leases</u>

Policies Applicable Beginning January 1, 2019. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract converys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group as a Lessee. The Group recognizes ROU assets and lease liabilities at the lease commencement date. The ROU assets are initially measured at cost comprising the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date less any lease incentives received, any initial direct and restoration costs.

The ROU assets are measured subsequently at cost, less amortization and any impairment losses. In addition, the cost is subsequently adjusted for any remeasurement of the lease liabilities resulting from reassessments or lease modifications.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liabilities comprise of the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis of accounting as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Policies prior to January 1, 2019. The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement.
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially Included In the lease term.
c. There is a change in the determination of whether fulfillment is dependent on a specified asset.
d. There is substantial change to the asset.

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

The Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Foreign Currencies

Transactions and Balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Foreign Operations. The assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange ruling at financial reporting date and, the profit and loss amounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to "Cumulative translation adjustment," a separate component of equity included as part of "Other equity reserves." Upon disposal of a foreign operation, the cumulative translation adjustment relating to that particular foreign operation is recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. Also, deferred tax liabilities are not provided on taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting year and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the end of reporting year.

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

Deferred tax relating to items recognized outside profit or loss (either in other comprehensive income or directly in equity) is recognized outside profit or loss (either in other comprehensive income or directly in equity).

Related Party Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

Earnings per Share
The Group presents basic and diluted earnings per share. Basic and diluted earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year, excluding parent shares held by a subsidiary.

There are no potential dilutive common shares as at December 31, 2019 and 2018.

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The operating results of an operating segment are reviewed regularly by the chief operating decision maker, which is defined to be the Parent Company's BOD, to determine the resources to be allocated to the segment and assess its performance, and for which financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

Provisions and Contingencies
Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events after the Reporting Year
Post year-end events that provide additional information about the Group's financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 these become reasonably determinable.

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of significant judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next year, and related impact and associated risk in the consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management exercises judgment on the following items, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determining Functional Currency. Based on the economic substance of the underlying circumstances, the Group has determined that its functional currency is the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company and certain subsidiaries operate. It is the currency that mainly influences the sale of services and the costs of providing the services.

Recognizing Service Revenue. For revenue recognized over time, the Group recognizes revenue if any of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time.

The Group does not incur costs to obtain contracts with customers and does not provide ancillary services to the lessees under its sublease agreements.

Revenue on data transcription and managed services, amounting to ₱78.5 million, ₱86.5 million and ₱79.2 million in 2019, 2018 and 2017, respectively, are recognized in profit or loss over time.

Determining Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment (see Note 4).

Recognizing Deferred Tax Liability on Undistributed Income of a Foreign Subsidiary. Since Paxys N.V., a company incorporated and domiciled in Curacao, is a wholly owned subsidiary of the Parent Company, management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company. Thus, no deferred tax liability was recognized on the undistributed income of Paxys N.V. Unrecognized deferred tax liability on undistributed income of a foreign subsidiary amounted to ₱933.0 million and ₱913.7 million as at December 31, 2019 and 2018, respectively (see Note 21).

Determining Classification of Financial Instruments. Classification of financial instruments under PFRS 9 depends on the results of the business model test and "sole payment of principal and interest" (SPPI) test performed by the Group. The Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

The classification of various financial assets and liabilities of the Group are disclosed in Note 2.

Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates. The Group, as a lessee, has various lease agreements with third parties for office space, parking space, storage and equipment. The Group accounts for these lease agreements as operating leases until December 31, 2018. Rent expense under operating leases amounted to ₱13.6 million and ₱13.0 million in 2018 and 2017, respectively (see Note 23).

The Group has exercised significant judgment in determining 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 in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Significant management judgment was likewise exercised by the Group in determining the discount rate to be used in calculating the present value of ROU assets and lease liabilities. The discount rate is 4% which is the incremental borrowing rate.

Rent expense on low-value asset leases on storage and equipment amounted to ₱0.2 million in 2019 (see Note 23). Amortization on ROU assets and interest expense on lease liabilities amounted to ₱14.8 million and ₱1.5 million, respectively, in 2019 (see Note 23).

As at December 31, 2019, ROU assets and lease liabilities amounted to ₱38.4 million and ₱37.6 million, respectively (see Note 23).

The Company, as a lessor, has existing lease agreements for the sublease of its office space. The Company has determined that it retains the significant risk and benefits of ownership over the leased properties. Accordingly, the Company accounts for the lease agreements as operating leases.

Rent income amounted to ₱1.7 million, ₱0.4 million and ₱0.9 million in 2019, 2018 and 2017, respectively (see Note 23).

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

Estimates and Assumptions

The key assumptions concerning future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Determining the Fair Value of Financial Instruments. Certain financial assets are carried at fair value and whose fair values are disclosed, which requires extensive use of accounting estimates. When the fair values of financial assets recorded or disclosed in the consolidated statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market 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 factors could affect the reported fair value of financial instruments.

Fair values of financial assets and liabilities are presented in Note 24, *Financial Instruments*.

Assessing Impairment Losses on Financial Assets. Upon adoption of PFRS 9, impairment losses on financial assets are determined based on expected credit losses. In assessing the expected credit losses, the Group uses historical loss experience adjusted for forward-looking factors, as appropriate.

The Group's cash and cash equivalents are maintained at reputable financial institutions with good industry rating and score.

For investment securities, the Group estimates impairment based on 12-month expected credit loss. Investment securities at amortized cost and FVOCI, which have credit quality equivalent to "high grade" and have low credit risk at reporting date, are presumed to have no significant increase in credit risk since initial recognition.

The Group estimates impairment on trade receivables based on lifetime expected credit loss using a provision matrix that is based on days past due and takes into consideration historical credit loss experience, adjusted for forward-looking factors, as applicable. Management recognizes losses on credit-impaired receivables from related parties considering its ability to pay based on its available assets.

No provision for impairment losses on cash equivalents and investment securities at amortized cost and FVOCI were recognized in 2019, 2018 and 2017. No provisions for impairment losses on trade and other receivables recognized in 2019. Provisions for impairment losses on trade and other receivables amounted to ₱6.3 million and ₱13.2 million in 2018 and 2017, respectively (see Note 7).

The carrying amount of financial assets at amortized cost and FVOCI as at December 31, 2019 and 2018 are as follows:

	Note	**2019**	2018
Cash and cash equivalents	5	**₱3,287,798**	₱3,155,310
Investment securities at:	6		
FVOCI		**153,101**	153,062
Amortized cost		**50,654**	517,537
Trade and other receivables	7	**44,289**	38,904

Prior to adoption of PFRS 9 in 2018, impairment losses is established when there is objective evidence or impairment based on events that affect future cash flows. For loans and receivables, the amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. AFS financial asset is impaired based on whether there has been a substantial or prolonged decline in the fair value of the investment (e.g. more than 20% and prolonged decline is defined as a period of more than six months). HTM investments carried at amortized cost are impaired when the carrying amount exceeds its recoverable amount, which requires judgment of the financial health of the investee.

Provision for impairment losses on trade and other receivables, including due from related parties amounted to ₱13.2 million in 2017 (see Note 18).

No provision for impairment losses on AFS financial assets and HTM investments was recognized in 2017.

Assessing Impairment Losses on Input VAT. The provision for impairment losses on input VAT is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

The carrying amount of input VAT amounted to ₱21.1 million and ₱18.2 million as at December 31, 2019 and 2018, respectively. Allowance for impairment losses on input VAT amounted to ₱49.6 million as at December 31, 2019 and 2018 (see Note 8).

Estimating the Useful Lives of Nonfinancial Assets. The estimated useful life of each of the items of property and equipment and intangible assets is estimated based on the year over which the assets are expected to be available for use. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at each financial year end and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A change in the estimated useful life on property and equipment and intangible assets would impact the recorded expenses and noncurrent assets.

There is no change in the estimated useful lives of property and equipment and intangible assets in 2019, 2018 and 2017.

The carrying amount of property and equipment and intangible assets are as follows:

	Note	**2019**	2018
Property and equipment	10	**₱6,035**	₱7,918
Intangible assets	11	**316**	610

Assessing the Impairment of Nonfinancial Assets. The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The carrying amount of nonfinancial assets that are subject to impairment assessment when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenue or other external indicators) are as follows:

	Note	**2019**	2018
ROU assets	23	**₱38,369**	₱–
Property and equipment	10	**6,035**	7,918
Intangible assets	11	**316**	610

Investments in joint ventures are fully provided with allowance for impairment losses as at December 31, 2019 and 2018 (see Note 9).

Determining Retirement Liability. The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. The assumptions, which include among others, discount rate and rate of salary increase are described in Note 14.

Actual results that differ from the assumptions are accumulated and are recognized as part of other comprehensive income. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the retirement liability.

Retirement liability amounted to ₱13.5 million and ₱11.5 million as at and December 31, 2019 and 2018, respectively. The retirement benefits expense amounted to ₱1.3 million, ₱0.5 million and ₱1.0 million in 2019, 2018 and 2017, respectively (see Note 14).

Assessing the Realizability of Deferred Tax Assets. The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets as at December 31, 2019 and 2018 were not recognized because management believes that sufficient future taxable income may not be available against which the carry forward benefits of NOLCO, excess of MCIT over RCIT and other deductible temporary differences may be utilized. Unrecognized deferred tax assets amounted to ₱67.2 million and ₱58.2 million as at December 31, 2019 and 2018, respectively (see Note 21).

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different market.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, property and equipment and intangible assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Inter-segment Transactions. Segment revenue, segment expenses and segment performance include transfers among business segments. Such transfers are eliminated in consolidation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income or loss in the consolidated financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. For management purposes, the Group is organized into business units based on the services rendered and has two reportable operating segments as follows:

- Outsourcing - This segment includes general transcription, data conversion, contact center, and other outsourcing services of the Group. This was previously termed as "Data Conversion".

- Others - This segment includes holding and investment companies, which consists of the Parent Company, Paxys N.V., and other non-operating subsidiaries.

Business Segment Information

The following table presents the revenue and expenses and certain assets and liabilities information of the Group's business segments as at and for the years ended December 31, 2019, 2018 and 2017.

	2019			
	Outsourcing	**Others**	**Eliminations**	**Consolidated**
Results of Operations				
Revenue from external customers	₱78,506	₱–	₱–	₱78,506
Cost and expenses	(84,159)	(74,614)	–	(158,773)
Operating loss	(5,653)	(74,614)	–	(80,267)
Interest income	288	116,260	–	116,548
Net foreign exchange gain (loss)	(683)	(2,816)	741	(2,758)
Other income - net	2,083	763	(134)	2,712
Interest expense on lease liabilities	(1,101)	(425)	–	(1,526)
Income tax expense	(492)	(9,935)	–	(10,427)
Net income (loss)	(₱5,558)	₱29,233	₱607	₱24,282
Assets and Liabilities				
Assets	₱85,141	₱5,437,485	(₱1,655,503)	₱3,867,123
Liabilities	98,759	182,285	(200,900)	80,144
Other Segment Information				
Capital expenditures:				
Property and equipment	₱2,269	₱133	₱–	₱2,402
Intangible assets	–	26	–	26
Depreciation and amortization	11,317	8,062	–	19,379

	2018			
	Outsourcing	Others	Eliminations	Consolidated
Results of Operations				
Revenue from external customers	₱86,477	₱–	₱–	₱86,477
Cost and expenses	(85,847)	(81,340)	89	(167,098)
Operating income (loss)	630	(81,340)	89	(80,621)
Interest income	361	95,047	–	95,408
Net foreign exchange gain (loss)	1,699	3,878	(1,141)	4,436
Other income - net	591	870	(358)	1,103
Income tax expense	(53)	(6,186)	–	(6,239)
Net income (loss)	₱3,228	₱12,269	(₱1,410)	₱14,087
Assets and Liabilities				
Assets	₱61,815	₱5,500,090	(₱1,656,514)	₱3,905,391
Liabilities	69,001	165,845	(193,084)	41,762
Other Segment Information				
Capital expenditures:				
Property and equipment	₱7,840	₱482	₱–	₱8,322
Intangible assets	264	320	–	584
Depreciation and amortization	2,267	212	–	2,479

	2017			
	Outsourcing	Others	Eliminations	Consolidated
Results of Operations				
Revenue from external customer	₱79,205	₱–	₱–	₱79,205
Cost and expenses	(78,813)	(73,798)	264	(152,347)
Operating income (loss)	392	(73,798)	264	(73,142)
Interest income	357	74,570	–	74,927
Net foreign exchange gain (loss)	(242)	753	(190)	321
Other income - net	832	4,593	–	5,425
Income tax expense	(28)	(5,549)	–	(5,577)
Net income	₱1,311	₱569	₱74	₱1,954
Assets and Liabilities				
Assets	₱56,368	₱5,352,072	(₱1,652,845)	₱3,755,595
Liabilities	65,825	164,385	(199,454)	30,756
Other Segment Information				
Capital expenditures:				
Property and equipment	₱78	₱284	₱–	₱362
Intangible assets	132	11	–	143
Depreciation and amortization of property, equipment and intangibles	1,295	167	–	1,462

The Outsourcing segment is managed and operated in the Philippines. Other reportable segments include the Parent Company and other non-operating companies with excess funds invested in corporate bonds and other short-term deposits from various banks. Interest income earned from these funds amounted to ₱116.5 million, ₱95.4 million and ₱74.9 million in 2019, 2018 and 2017, respectively (see Note 20).

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and cash in banks	**₱46,793**	₱37,369
Cash equivalents	**3,241,005**	3,117,941
	₱3,287,798	₱3,155,310

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Any pre-termination or redemption prior to maturity date shall not result to significant change in investment values and penalties.

Total interest income earned amounted to ₱104.8 million, ₱75.6 million and ₱56.0 million in 2019, 2018 and 2017, respectively (see Note 20).

6. Investment Securities

This account consists of financial assets measured at:

	2019	2018
FVPL	₱254,885	₱–
FVOCI	153,101	153,062
Amortized cost	50,654	517,537
	₱458,640	₱670,599

Financial Assets at FVPL

This pertains to investment in Unit Investment Trust Fund (UITF) at local bank. Unrealized gain from fair value changes amounted to ₱540 in 2019. In 2018, fund investment amounting to ₱4.1 million was fully redeemed resulting to realized gain recognized in the profit or loss amounting to ₱22 (see Note 20).

Movements financial assets at FVPL follows:

	2019	2018
Balances at beginning of the year	₱–	₱–
Additions	254,345	2,956
Fair value changes	540	22
Reclassification	–	1,056
Redemption	–	(4,034)
Balances at end of year	₱254,885	₱–

Financial Assets at FVOCI (Previously Classified as AFS Financial Assets)

This pertains to investment in funds managed by international banks which provides fixed interest income and capital appreciation.

Movements in follows:

	2019	2018
Balances at beginning of the year	₱153,062	₱814,982
Unrealized fair value gains	5,874	(6,500)
Translation gain (loss)	(5,835)	15,900
Reclassification	–	(500,641)
Redemption	–	(170,679)
Balances at end of year	₱153,101	₱153,062

In 2018, equity securities with a net amount of ₱154.8 million were redeemed and the related realized fair value gain amounting to to ₱12.9 million was directly transferred to the retained earnings. In 2017, investment securities with an aggregate amount of ₱50.2 million were redeemed and the related realized fair value gain amounting to ₱53 was reported in the profit and loss (see Note 20).

Unrealized fair value gain amounting to ₱5.9 million and ₱7.0 million in 2019 and 2017, respectively, and unrealized fair value loss amounting to ₱6.5 million in 2018 were reported in the other comprehensive income (loss).

Interest income earned from these financial assets amounted to ₱6.2 million, ₱6.4 million and ₱9.8 million in 2019, 2018 and 2017, respectively (see Note 20).

Financial Assets at Amortized Cost

Financial assets at amortized cost consist of unquoted bonds with fixed interest rate and maturity date until 2020. Interest income earned from these bonds amounted to ₱5.5 million, ₱13.4 million and ₱9.1 million in 2019, 2018 and 2017, respectively (see Note 20).

Movement in the account follows:

	2019	2018
Balances at beginning of the year	**₱517,537**	₱100,175
Redemption	**(450,786)**	(105,493)
Translation gain (loss)	**(15,091)**	26,053
Reclassification	**–**	499,585
Premium amortization	**(1,006)**	(2,783)
Balances at end of year	**₱50,654**	₱517,537

7. Trade and Other Receivables

This account consists of:

	Note	2019	2018
Trade		**₱19,750**	₱21,387
Due from related parties	16	**83,292**	83,174
Accrued interest		**18,073**	12,057
Others		**19,793**	18,905
		140,908	135,523
Allowance for impairment losses		**(96,619)**	(96,619)
		₱44,289	₱38,904

Trade receivables are noninterest-bearing with average credit terms of 30 to 60 days.

Accrued interest are normally received within one year.

Other receivables comprise mainly of receivable from employees, contractors and suppliers which are collectible upon demand.

There are no provisions for impairment losses recognized in 2019. Receivables amounting to ₱1.3 million were directly written off in 2019.

Movements in the allowance for impairment losses in 2018 are as follows:

	Note	Trade Receivables	Due from Related Parties (see Note 16)	Others	Total
Balance at beginning of year		₱11,072	₱63,064	₱17,684	₱91,820
Provision	18	–	6,255	–	6,255
Write-off		(1,456)	–	–	(1,456)
Balance at end of year		₱9,616	₱69,319	₱17,684	₱96,619

In 2017, the Group recognized provision for impairment losses amounting to ₱13.2 million (see Note 18).

8. Other Current Assets

This account consists of:

	2019	2018
Input VAT, net of allowance for impairment losses	**₱21,122**	₱18,242
Prepaid expenses	**1,783**	1,917
	₱22,905	₱20,159

Prepaid expenses include prepaid rent, insurance, subscriptions, creditable withholding taxes and licenses.

Movements in the allowance for impairment losses on input VAT are as follows:

	Note	2019	2018
Balance at beginning of year		**₱49,585**	₱48,793
Provision	18	**6**	792
Balance at end of year		**₱49,591**	₱49,585

9. Investments in Joint Ventures

The following are the joint ventures of the Group:

	Place of Incorporation	Principal Activity	Percentage of Ownership
Paxys Global Services Dalian Ltd (PGS Dalian)	China	Call center	50.0%
Simpro Solutions Limited (SSL)	Hong Kong	Call center	50.0%

The investments in joint ventures, with an aggregate cost of ₱28.7 million, are fully provided with allowance for impairment losses as at December 31, 2019 and 2018.

The Group has no outstanding commitments with the joint ventures as at December 31, 2019 and 2018. The joint ventures have no contingent liabilities or capital investments as at December 31, 2019 and 2018.

In 2018, Simpro Solutions Philippines, Inc. (SSPI), a wholly-owned subsidiary of SSL, has been dissolved and is currently in the process of liquidation.

10. Property and Equipment

The balances and movements of this account are as follows:

		2019					
	Note	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost							
Balances at beginning of year		₱109,584	₱7,624	₱159,084	₱14,060	₱9,749	₱300,101
Additions		162	–	1,167	1,073	–	2,402
Balances at end of year		109,746	7,624	160,251	15,133	9,749	302,503
Accumulated Depreciation and Amortization							
Balances at beginning of year		106,973	7,624	156,129	11,808	9,649	292,183
Depreciation and amortization	20	1,085	–	1,848	1,252	100	4,285
Balances at end of year		108,058	7,624	157,977	13,060	9,749	296,468
Net Book Value		₱1,688	₱–	₱2,274	₱2,073	₱–	₱6,035

		2018					
	Note	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost							
Balances at beginning of year		₱106,505	₱7,624	₱155,931	₱11,970	₱10,712	₱292,742
Additions		3,079	–	3,153	2,090	–	8,322
Disposals		–	–	–	–	(963)	(963)
Balances at end of year		109,584	7,624	159,084	14,060	9,749	300,101
Accumulated Depreciation and Amortization							
Balances at beginning of year		106,304	7,624	155,512	11,210	10,411	291,061
Depreciation and amortization	20	669	–	617	598	201	2,085
Disposals		–	–	–	–	(963)	(963)
Balances at end of year		106,973	7,624	156,129	11,808	9,649	292,183
Net Book Value		₱2,611	₱–	₱2,955	₱2,252	₱100	₱7,918

In 2018, the Group sold certain fully depreciated property and equipment, resulting to a gain of ₱0.4 million (see Note 20).

As at December 31, 2019 and 2018, fully depreciated property and equipment amounting to ₱61.3 million and ₱59.0 million, respectively, are still being used by the Group.

11. Intangible Assets

Movements in this account are as follows:

	Note	**2019**	2018
Cost			
Balance at beginning of year		**₱15,451**	₱14,867
Additions		**26**	584
Balance at end of year		**15,477**	15,451
Accumulated Amortization			
Balance at beginning of year		**14,841**	14,447
Amortization	20	**320**	394
Balance at end of year		**15,161**	14,841
Net Book Value		**₱316**	₱610

Intangible assets pertain to computer softwares, which are amortized over three to five years.

12. Other Noncurrent Assets

This account consists of:

	Note	2019	2018
Rental and security deposits	23	**₱3,592**	₱5,008
Others		**5,179**	6,883
		₱8,771	₱11,891

Rental and security deposits pertain to cash deposits on lease agreements, which are refundable at the end of lease period.

Others consist of claims for tax refund expected to be received beyond 12 months after the reporting year and in 2018, others include advance rent which will be applied on the end of the lease term.

13. Trade and Other Payables

This account consists of:

	Note	2019	2018
Trade		**₱1,974**	₱2,250
Statutory payables		**6,523**	7,143
Dividends	15	**6,554**	6,554
Accrued expenses:			
Professional fees		**2,937**	2,481
Contracted services		**2,800**	2,961
Salaries and wages		**2,634**	3,001
Taxes and licenses		**1,770**	1,812
Rent		**263**	1,743
Others		**1,748**	729
		₱27,203	₱28,674

Trade payables are noninterest-bearing and are normally settled on a 60-day term.

Statutory payables represent withholding taxes payable, SSS, HDMF and PhilHealth premiums, and other liabilities to the government agencies.

Accrued expenses are normally settled within 30 to 60 days.

14. Retirement Benefits

The Parent Company and SWA maintain separate unfunded, non-contributory, and defined benefit plans covering all eligible employees. An independent actuary conducts an actuarial valuation of the retirement liability. The latest actuarial report is as at December 31, 2019.

The retirement benefits expense recognized in the consolidated statements of income is as follows:

	Note	2019	2018	2017
Current service cost		**₱487**	₱285	₱751
Interest cost		**857**	224	275
	19	**₱1,344**	₱509	₱1,026

The net cumulative remeasurement gains (losses) on retirement liability recognized as other comprehensive income follows:

	2019	2018	2017
Balance at beginning of year	**(₱1,227)**	₱5,731	₱3,511
Remeasurement gain (loss)	**(669)**	(6,958)	2,220
Balance at end of year	**(₱1,896)**	(₱1,227)	₱5,731

Changes in the present value of retirement liability are as follows:

	2019	2018
Balance at beginning of year	**₱11,531**	₱4,064
Interest cost	**857**	224
Remeasurement loss	**669**	6,958
Current service cost	**487**	285
Balance at end of year	**₱13,544**	₱11,531

The principal assumptions used in determining the retirement liability are shown below:

	2019	2018
Discount rate	**5.21%**	7.53%
Salary increase rate	**2.00%**	2.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2019 is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	-7.60%	-₱365
	+9.35%	+449
Salary Rate	+9.55%	+460
	-7.90%	-364

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the defined benefit liability was expressed as a percentage change from the base defined benefit liability.

As at December 31, 2019, expected future benefit payments are shown below:

Within one year	₱8,066
More than one year	5,268
	₱13,334

The weighted average duration of the defined benefit obligation at the end of the reporting year is at 8.5 years.

15. Equity

Capital Stock

This account consists of the following:

	Number of Shares	Amount
Common Stock "Class A" - ₱1 par value		
Authorized	1,800,000,000	₱1,800,000
Issued and outstanding	1,148,534,866	1,148,535

On March 22, 1971, the shares of the Parent Company with ₱1 par value per share were listed with the PSE. As as December 31, 2019 and 2018, 1,148,534,866 common shares of the Parent Company are listed in the PSE and traded in the PSE at the price of ₱2.69 and ₱3.25 per share, respectively.

Additional Paid-in Capital

This account consists of:

Premium on issuance of shares of stock	₱348,213
Premium on forfeited stock option	103,151
	₱451,364

Premium on issuance of shares of stock represents the excess of paid-up capital over the par value of capital stock. Premium on forfeited stock option represents increase in equity arising from equity-settled share-based payment transactions.

In 2005, the BOD and the stockholders of the Company, respectively, approved the Employee Equity Plan ("Plan") available to the executives and key employees of the Company. The Plan was approved by the SEC on June 1, 2006 and was terminated on May 1, 2015. All unexercised stock options were forfeited.

Parent Shares Held by a Subsidiary

In 2014, Paxys N.V., through a tender offer, completed the purchase of 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock for a total consideration of ₱1,149.9 million.

Retained Earnings

Undistributed retained earnings of a foreign subsidiary amounting to ₱3,110.1 million and ₱3,045.7 million as at December 31, 2019 and 2018, respectively, are not available for dividend declaration until these are distributed by the subsidiary to the Parent Company.

Dividends payable of the Parent Company as at December 31, 2019 and 2018 amounted to ₱6.6 million, which pertain to dividends declared in prior years (see Note 13).

16. Related Party Transactions and Balances

In the normal course of business, the Group has transactions and balances with related parties pertaining to noninterest-bearing advances as follows:

Related Party	Year	Transactions during the Year	Due from Related Parties (see Note 7)
Joint Venture	**2019**	**₱–**	**₱15,915**
	2018	11,283	15,915
Entities with Common Stockholders	**2019**	**2,966**	**67,377**
	2018	3,918	67,259
	2019		**₱83,292**
	2018		83,174

Outstanding balances are unsecured, noninterest-bearing with no fixed repayment terms and are normally settled in cash. No guarantees have been provided or received for these balances. Impairment assessment is undertaken at each reporting date.

In 2018, upon liquidation of SSPI, its receivable from SSL amounting to ₱11.2 million were assigned to the Parent Company in 2018 as payment of its payables to the latter.

Allowance for impairment losses related to these receivables amounted to ₱69.3 million as at December 31, 2019 and 2018 (see Note 7).

Compensation of Key Management Personnel of the Group

	2019	2018	2017
Salaries and wages	**₱14,348**	₱13,325	₱11,646
Professional fees	**7,452**	7,452	6,426
Other short-term benefits	**4,125**	4,764	628
	₱25,925	₱25,541	₱18,700

17. Cost of Services

This account consists of:

	Note	2019	2018	2017
Personnel cost	19	**₱31,680**	₱42,785	₱42,233
Depreciation and amortization	20	**11,146**	2,177	1,192
Utilities		**4,008**	3,943	3,445
Security and janitorial services		**3,974**	3,078	2,645
Communication		**3,398**	2,494	2,084
Outside services		**1,026**	1,263	6,315
Association dues		**273**	102	45
Supplies		**258**	438	415
Rent	23	**128**	6,259	5,694
Others		**2,492**	2,967	2,453
		₱58,383	₱65,506	₱66,521

Others pertain to insurance, transportation and travel, dues and repairs and maintenance expenses.

18. General and Administrative Expenses

This account consists of:

	Note	2019	2018	2017
Professional fees		**₱43,862**	₱40,401	₱29,827
Personnel cost	19	**30,025**	29,591	14,010
Depreciation and amortization	20	**8,233**	302	270
Utilities		**2,527**	2,363	2,252
Insurance		**2,516**	2,835	2,721
Communication		**1,871**	1,819	1,745
Membership dues		**1,692**	791	1,224
Bank charges		**1,658**	1,257	2,205
Security and janitorial services		**1,614**	1,835	1,522
Entertainment, amusement and recreation		**1,352**	1,311	1,315
Transportation and travel		**1,058**	2,096	2,067
Rent	23	**120**	7,387	7,318
Provision for impairment losses on:				
Input VAT	8	**6**	792	2,409
Trade and other receivables	7	**–**	6,255	13,151
Others		**3,856**	2,557	3,790
		₱100,390	₱101,592	₱85,826

19. Personnel Costs

This account consists of:

	Note	2019	2018	2017
Salaries and wages		**₱50,451**	₱62,703	₱45,931
Retirement benefits	14	**1,344**	509	1,026
Trainings		**785**	971	1,528
Other employee benefits		**9,125**	8,193	7,758
		₱61,705	₱72,376	₱56,243

Other employee benefits pertain mainly to statutory contributions, incentives, and health care and insurance benefits of employees.

Personnel costs are allocated as follows:

	Note	2019	2018	2017
Cost of services	17	**₱31,680**	₱42,785	₱42,233
General and administrative expenses	18	**30,025**	29,591	14,010
		₱61,705	₱72,376	₱56,243

20. Interest Income, Other Income and Costs and Expense

Interest Income

	Note	2019	2018	2017
Cash and cash equivalents	5	**₱104,816**	₱75,622	₱56,023
Investment securities:	6			
Financial assets at:				
FVOCI		**6,245**	6,355	–
Amortized cost		**5,487**	13,431	–
AFS financial assets		–	–	9,831
HTM investments		–	–	9,073
		₱116,548	₱95,408	₱74,927

Other Income

	Note	2019	2018	2017
Rent	23	**₱1,749**	₱367	₱859
Unrealized fair value gain on investment securities	6	**540**	–	–
Gain on disposal of property and equipment	10	–	406	357
Gain on redemption of investment securities	6	–	22	53
Reversal of payables		–	–	3,743
Others		**423**	308	413
		₱2,712	₱1,103	₱5,425

Depreciation and Amortization

This account consists of:

	Note	2019	2018	2017
ROU assets	23	**₱14,774**	₱–	₱–
Property and equipment	10	**4,285**	2,085	1,021
Intangible assets	11	**320**	394	441
		₱19,379	₱2,479	₱1,462

Depreciation and amortization are allocated as follows:

	Note	2019	2018	2017
Cost of services	17	**₱11,146**	₱2,177	₱1,192
General and administrative expenses	18	**8,233**	302	270
		₱19,379	₱2,479	₱1,462

21. Income Tax

a. The components of current income tax expense as presented in the consolidated statements of income are as follows:

	2019	2018	2017
Final tax	**₱9,952**	₱6,031	₱5,384
RCIT	**475**	505	503
MCIT	**–**	208	193
	₱10,427	₱6,744	₱6,080

b. The reconciliation of income tax expense computed at statutory tax rate and income tax expense as shown in the consolidated statements of income is as follows:

	2019	2018	2017
Income tax expense at statutory income tax rate	**₱10,413**	₱6,098	₱2,259
Income tax effects of:			
Nontaxable income	**(16,874)**	(15,732)	(14,342)
Expired NOLCO	**10,925**	11,045	6,649
Interest income subjected to final tax	**(5,088)**	(3,037)	(2,953)
Nondeductible expenses	**1,702**	1,292	6,216
Net changes in unrecognized net deferred tax assets	**8,961**	6,455	7,118
Expired MCIT	**373**	65	577
Expenses subject to 10% preferential income tax rate	**15**	53	53
	₱10,427	₱6,239	₱5,577

c. Details of unrecognized net deferred tax assets relating to NOLCO, MCIT and other temporary differences are as follows:

	2019	2018
NOLCO	**₱52,496**	₱41,570
Allowance for impairment losses on receivables and input VAT	**8,190**	12,899
Retirement liability	**4,063**	4,166
Excess MCIT over RCIT	**876**	774
Unrealized foreign exchange loss (gain)	**705**	(1,863)
Excess of ROU assets amortization and interest expense over lease payments	**276**	–
Accruals and provision	**593**	676
Unrealized gain from fair value changes of investment securities	**(16)**	–
	₱67,183	₱58,222

Management has assessed that sufficient future taxable income may not be available against which the carry-forward benefits of NOLCO, excess MCIT over RCIT and other deductible temporary differences may be utilized.

As at December 31, 2019 and 2018, the Group did not recognize deferred tax liability on undistributed income of Paxys N.V., a wholly owned subsidiary of the Parent Company, amounting to ₱933.0 million and ₱913.7 million, respectively. Management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company.

d. Details of carry- forward benefits arising from NOLCO and excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance as at December 31, 2018	Additions	Expired	Balance as at December 31, 2019	Available Until
2016	₱36,454	₱–	(₱36,454)	₱–	2019
2017	42,230	–	–	42,230	2020
2018	60,315	–	–	60,315	2021
2019	–	72,987	–	72,987	2022
	₱138,999	₱72,987	(₱36,454)	₱175,532	

MCIT

Year Incurred	Balance as at December 31, 2018	Additions	Applied/ Expired	Balance as at December 31, 2019	Available Until
2016	₱373	₱–	(₱373)	₱–	2019
2017	193	–	–	193	2020
2018	208	–	–	208	2021
2019	–	475	–	475	2022
	₱774	₱475	(₱373)	₱876	

MCIT amounting to ₱505 and ₱503 were applied against RCIT in 2018 and 2017, respectively.

22. Earnings per Share

Basic/diluted earnings per share are computed as follows:

	Note	**2019**	2018	2017
Net income (a)		**₱24,282**	₱14,087	₱1,954
Issued and outstanding shares	15	**1,148,535**	1,148,535	1,148,535
Parent shares held by a subsidiary	15	**(345,622)**	(345,622)	(345,622)
Number of shares issued and outstanding (b)		**802,913**	802,913	802,913
Basic/diluted earnings per share (a/b)		**₱0.030**	₱0.018	₱0.002

There are no potential dilutive common shares as at December 31, 2019 and 2018.

23. Commitments

Lease Commitments

a. The Group as a Lessee

i. The Parent Company has an existing lease agreement with a third party for the lease of office space for five years until April 30, 2021. The quarterly rent is subject to escalation rates ranging from 5% to 10% per annum. The lease is renewable upon mutual consent of the parties to be covered by a separate lease agreement. As at December 31, 2019 and 2018, refundable security deposit amounted to ₱1.4 million and ₱2.9 million, respectively (see Note 12).

ii. SWA has an existing non-cancellable five-year agreement with a third party for the lease of an office space until December 31, 2018. This was extended for one year up to December 31, 2019. On January 22, 2019, the lease was renewed for another two years until 2021, with an option to extend for another two years and six months. The rental rate is subject to an escalation rate of 5% per annum. As at December 31, 2019 and 2018, refundable security deposit amounted to ₱1.5 million (see Note 12).

iii. On October 21, 2018, SWA entered into a two-year lease agreement with a third party for the lease of an office space until October 20, 2020. The lease is renewable upon mutual consent of the parties to be covered by a separate and new lease agreement. The rental rate shall be subjected to an escalation rate of 5% per annum upon renewal. As at December 31, 2019 and 2018, refundable security deposit amounted to ₱0.3 million.

Outstanding rental and security deposits on lease commitments, presented under "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱3.6 million and ₱5.0 million as at December 31, 2019 and 2018, respectively (see Note 12). These are refundable in cash at the end of the lease term.

Upon adoption of PFRS 16, advance rent amounting to ₱3.2 million and accrued rent from straight-line accounting for lease amounting to ₱1.4 million were recognized as part of ROU assets in 2019 (see Note 2).

Amounts recognized in the consolidated statements of income follows:

	2019	2018	2017
Amortization on ROU assets	**₱14,774**	₱–	₱–
Interest expense on lease liabilities	**1,526**	–	–
Rent expense	**248**	13,646	13,012
	₱16,548	₱13,646	₱13,012

Rent expense in 2019 pertains to low-value asset leases on storage and equipment.

Amortization on ROU assets in 2019 is allocated as follows:

	Note	
Cost of services	17	₱7,082
General and administrative expenses	18	7,692
		₱14,774

Rent expense is allocated as follows:

	Note	**2019**	2018	2017
Cost of services	17	**₱128**	₱6,259	₱5,694
General and administrative expenses	18	**120**	7,387	7,318
		₱248	₱13,646	₱13,012

Movements in the lease liabilities as at December 31, 2019 are presented below:

	Note	
Balance at beginning of year	2	₱51,425
Payments		(15,378)
Interest expense		1,526
		37,573
Current portion		14,420
Noncurrent portion		₱23,153

Total cash outflows for the payment of lease liabilities amounted to ₱15.4 million in 2019.

The movements in the ROU assets as at December 31, 2019 are presented below:

	Note	
Balance as at beginning of year	2	₱53,143
Amortization	20	(14,774)
Balance at end of year		₱38,369

The future minimum lease payments under noncancellable leases are as follows:

	2019	2018
Within one year	**₱14,420**	₱13,938
After one year but not more than five years	**23,153**	10,619
	₱37,573	₱24,557

The future cash outflows under short-term and low value leases are as follows:

	2019	2018
Within one year	**₱220**	₱239
After one year but not more than five years	**135**	161
	₱355	₱400

b. The Group as a Lessor

In 2019, SWA has subleased a portion of its office space in Laguna to a third party for a period of five years.

Rent income from subleased portion amounted to ₱1.7 million, ₱0.4 million and ₱0.9 million in 2019, 2018 and 2017, respectively (see Note 20).

Facilities and Support Services Agreement

In October 2018, SWA entered into a Managed Facility and Support Services Agreement with a third party for work-ready seats for a period of two years until October 20, 2020. The service agreement provides outsourced facility services, data connectivity, IT support and power for the leased work seats. Refundable deposit amounted to ₱1.3 million as at December 31, 2019 and 2018.

Income earned from this agreement amounted to ₱15.5 million and ₱4.0 million in 2019 and 2018, respectively, as shown in the revenues in the statements of income of the Group.

24. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, investment securities, trade and other receivables, rental and security deposits, and trade and other payables, which arise directly from the operations. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Foreign Currency Risk

The Group's exposure to foreign currency risk results mainly from foreign currency denominated services rendered by SWA and other business transactions of the Group denominated in foreign currencies. The Group's consolidated financial position and financial performance may be affected by the movements in the U.S. Dollar (US$) to Philippine Peso exchange rates.

The following rates of exchange have been used by the Group in translating foreign currency consolidated statement of income and consolidated statement of financial position items as at and for the years ended December 31, 2019 and 2018:

	2019		2018	
	Closing	**Average**	Closing	Average
Philippine Peso to 1 unit of US$	**₱50.64**	**₱51.57**	₱52.58	₱52.69

As at December 31, 2019 and 2018, the significant foreign currency-denominated monetary assets of the Group are as follows:

	2019		2018	
	In US$	**Philippine Peso Equivalent**	In US$	Philippine Peso Equivalent
Cash and cash equivalents	**US$54,108**	**₱2,739,797**	US$43,531	₱2,288,882
Trade and other receivables	**448**	**22,684**	336	17,656
Investment securities -				
Financial assets at:				
FVPL	**4,997**	**253,032**	–	–
FVOCI	**3,024**	**153,101**	2,911	153,062
Amortized cost	**1,000**	**50,564**	7,770	408,537
Foreign currency-denominated monetary assets	**US$63,577**	**₱3,219,178**	US$54,548	₱2,868,137

A reasonably possible change of -1.95/+1.95 in 2019 and -2.65/2.65 in 2018 in the US$ to Philippine Peso exchange rate based on latest year-on-year movement in the currency, with all other variables held constant, shall result to the following income before tax movements in the Group's consolidated statements of income:

	2019		2018	
	Increase (Decrease) in Exchange Rates	**Increase (Decrease) on Income before Tax**	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Income before Tax
US$	**1.94**	**₱123,339**	2.65	₱144,552
	(1.94)	**(123,339)**	(2.65)	(144,552)

The decrease in Philippine Peso to US$ means stronger Philippine Peso against the US$ rates while increase in Philippine Peso to US$ rate means stronger foreign exchange rates against Philippine Peso.

Credit Risk
Credit risk is the risk that the Group will incur a loss when its counterparties fail to discharge their contractual obligations.

Receivables are monitored on an on-going basis to minimize Group's exposure to possible losses. The Group trades only with recognized, creditworthy third parties. It is Group policy to subject customers who trade on credit terms to credit verification procedures. Trade receivables pertain mainly to the account of Nuance Communications Ireland Ltd.

The credit risk for cash and financial instruments is considered negligible because the counterparties are reputable banks and investment institutions with high quality external credit ratings. The Group does not have major concentration of credit risk.

The gross maximum exposure of the Group to credit risk corresponds to the total carrying amounts of the following financial assets:

	2019	2018
Cash and cash equivalents[a]	**₱3,287,733**	₱3,155,245
Investment securities -		
Financial assets at:		
FVPL	**254,885**	–
FVOCI	**153,101**	153,062
Amortized cost	**50,654**	517,537
Trade and other receivables	**140,908**	135,523
Rental and security deposits[b]	**3,592**	5,008
	₱3,890,873	₱3,966,375

[a]Excluding cash on hand amounting to ₱65 as at December 31, 2019 and 2018.
[b]Included under "Other noncurrent assets."

The analysis of the financial assets that were past due but not impaired as at December 31, 2019 and 2018 follows:

	2019						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	30 to 60 Days	More than 60 Days	Total	Impaired	Total
Cash and cash equivalents[a]	₱3,287,733	₱–	₱–	₱–	₱–	₱–	₱3,287,733
Investment securities -							
Financial assets at:							
FVPL	254,885	–	–	–	–	–	254,885
FVOCI	153,101	–	–	–	–	–	153,101
Amortized cost	50,654	–	–	–	–	–	50,654
Trade and other receivables:							
Trade	10,134	–	–	–	–	9,616	19,750
Accrued interest	18,073	–	–	–	–	–	18,073
Due from related parties	–	–	–	13,973	13,973	69,319	83,292
Others	2,109	–	–	–	–	17,684	19,793
Rental and security deposits[b]	3,592	–	–	–	–	–	3,592
	₱3,780,281	₱–	₱–	₱13,973	₱13,973	₱96,619	₱3,890,873

[a]Excluding cash on hand amounting to ₱65.
[b]Included under "Other noncurrent assets.

	2018						
	Neither Past	Past Due but not Impaired					
	Due nor Impaired	Less than 30 Days	30 to 60 Days	More than 60 Days	Total	Impaired	Total
Cash and cash equivalents[(a)]	₱3,155,245	₱–	₱–	₱–	₱–	₱–	₱3,155,245
Investment securities -							
Financial assets at:							
Amortized cost	517,537	–	–	–	–	–	517,537
FVOCI	153,062	–	–	–	–	–	153,062
Trade and other receivables:							
Trade	11,771	–	–	–	–	9,616	21,387
Due from related parties	–	–	–	13,855	13,855	69,319	83,174
Accrued interest	12,057	–	–	–	–	–	12,057
Others	1,221	–	–	–	–	17,684	18,905
Rental and security deposits[(b)]	5,008	–	–	–	–	–	5,008
	₱3,855,901	₱–	₱–	₱13,855	₱13,855	₱96,619	₱3,966,375

[(a)]Excluding cash on hand amounting to ₱65.
[(b)]Included under "Other noncurrent assets."

The table below shows the credit quality of the financial assets classified as neither past due nor impaired as at December 31, 2019 and 2018:

	2019			2018		
	High Grade	**Standard Grade**	**Total**	High Grade	Standard Grade	Total
Cash and cash equivalents[(a)]	**₱3,287,733**	**₱–**	**₱3,287,733**	₱3,155,245	₱–	₱3,155,245
Investment securities -						
Financial assets at:						
FVPL	**254,885**	**–**	**254,885**	–	–	–
FVOCI	**153,101**	**–**	**153,101**	153,062	–	153,062
Amortized cost	**50,654**	**–**	**50,654**	517,537	–	517,537
Trade and other receivables	**30,316**	**–**	**30,316**	25,049	–	25,049
Rental and security deposits[(b)]	**–**	**3,592**	**3,592**	–	5,008	5,008
	₱3,776,689	**₱3,592**	**₱3,780,281**	₱3,850,893	₱5,008	₱3,855,901

[(a)]Excluding cash on hand amounting to ₱65 as at December 31, 2019 and 2018.
[(b)]Included under "Other noncurrent assets."

For trade receivables, the Group calculates impairment based on lifetime ECL using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, which comprise cash equivalents, investment securities, other receivables (including due from related parties) and rental and security deposits, ECL is based on 12-month ECL. However, the ECL for certain receivables, which are identified as credit-impaired, is based on lifetime ECL.

The credit quality of financial assets is managed by the Group using high grade and standard grade as internal credit ratings.

High Grade. Financial assets with high credit quality are normally collected within the credit period and without history of default collection.

Investment securities and cash and cash equivalents are placed in or deposited with reputable banks, thus, are fully realizable. Probability of default is close to zero and significant change in credit risk is unlikely for these financial instruments.

Standard Grade. Standard grade financial assets pertain mainly to receivables from counter parties that have a strong capacity to meet contractual obligations in the near term and have acceptable probability of default.

Past due receivables from related parties are not impaired when management assesses that these are fully realizable based on the counter parties' available assets.

Receivables from related parties are considered credit-impaired when the counter parties have no liquid assets and/or available assets to pay the outstanding receivables. Thus, these are provided with allowance for impairment losses.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk may arise primarily from mismatch of the maturities of financial assets and liabilities.

The Group's objective is to maintain continuity of funding. The Group's liquidity risk management policy is to measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital market and to hold a sufficient level of cash reserves.

The Group monitors its risk to shortage of funds by considering the maturity of both its financial assets and liabilities projected cash flows.

The table below summarizes the maturity profile of the Group's financial assets and liabilities (excluding statutory payables) used to manage liquidity as at December 31, 2019 and 2018 based on contractual undiscounted payments.

	2019				2018			
	Upon Demand	Within One Year	Over One Year	Total	Upon Demand	Within One Year	Over One Year	Total
Financial Assets								
Cash and cash equivalents	₱3,287,798	₱–	₱–	₱3,287,798	₱3,155,310	₱–	₱–	₱3,155,310
Investment securities - Financial assets at:								
FVPL	254,885	–	–	254,885	–	–	–	–
FVOCI	153,101	–	–	153,101	153,062	–	–	153,062
Amortized cost	–	50,654	–	50,654	–	517,537	–	517,537
Trade and other receivables	–	44,289	–	44,289	–	38,904	–	38,904
Rental and security deposits	–	–	3,592	3,592	–	–	5,008	5,008
Total undiscounted financial assets	3,695,784	94,943	3,592	3,794,319	3,308,372	556,441	5,008	3,869,821
Financial Liabilities								
Trade payables	₱–	₱1,974	₱–	₱1,974	₱–	₱2,250	₱–	₱2,250
Accrued expenses	–	10,404	–	10,404	–	11,998	–	11,998
Other current liabilities	–	1,748	–	1,748	–	729	–	729
Dividends payable	6,554	–	–	6,554	6,554	–	–	6,554
Lease liabilities	–	15,933	24,424	40,357	–	–	–	–
Other noncurrent liabilites	–	–	1,802	1,802	–	–	1,349	1,349
Total undiscounted financial liabilities	6,554	30,059	26,226	62,839	6,554	14,977	1,349	22,880
Net undiscounted financial assets	₱3,689,230	₱64,884	(₱22,634)	₱3,731,480	₱3,301,818	₱541,464	₱3,659	₱3,846,941

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

The Group competes in an industry where opportunities for growth still abound. Projects are selected if their expected returns are higher than cost of capital. Fundings are sourced from a combination of retained earnings, debt and new capital. The Group aims for flexibility in the capital structure to meet changing conditions and adapt with minimum cost and delay. It looks at solvency by keeping its debt capacity within its ability to generate future cash flows.

The Group is not subject to externally imposed capital requirements. The table below summarizes the equity components of the Group.

	2019	2018
Capital stock	**₱1,148,535**	₱1,148,535
Additional paid-in capital	**451,364**	451,364
Parent shares held by a subsidiary	**(1,149,886)**	(1,149,886)
Other equity reserves	**416,426**	517,358
Retained earnings	**2,920,540**	2,896,258
	₱3,786,979	₱3,863,629

Fair Values

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:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱3,287,798**	**₱3,287,798**	₱3,155,310	₱3,155,310
Investment securities -				
Financial assets at:				
FVPL	**254,885**	**254,885**	–	–
FVOCI	**153,101**	**153,101**	153,062	153,062
Amortized cost	**50,654**	**50,654**	517,537	409,597
Trade and other receivables	**44,289**	**44,289**	38,904	38,904
Rental and security deposits	**3,592**	**3,473**	5,008	4,686
	₱3,794,319	**₱3,794,200**	₱3,869,821	₱3,761,559
Financial Liabilities				
Trade and other payables*:				
Accrued expenses	**₱10,404**	**₱10,404**	₱11,998	₱11,998
Dividends	**6,554**	**6,554**	6,554	6,554
Trade	**1,974**	**1,974**	2,250	2,250
Other current liabilities	**1,748**	**1,748**	729	729
Lease liabilities	**35,573**	**39,267**	–	–
Other noncurrent liabilities	**1,802**	**1,802**	1,349	1,349
	₱58,055	**₱61,749**	₱22,880	₱22,880

**Excluding statutory payables amounting to ₱6,523 and ₱7,143 as at December 31, 2019 and 2018, respectively.*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Investment Securities at Amortized Cost, Trade and Other Receivables, Trade and Other Payables (excluding statutory payables) and Dividends Payable. Due to the relatively short-term maturities of the financial assets and liabilities, the fair values approximate the carrying amounts at initial recognition.

Financial Assets at FVPL. The fair value of the Group's financial assets at FVPL is based on the net asset value as at end of the reporting period and is categorized as Level 2.

Financial Assets at FVOCI. The fair value of the Group's financial assets at FVOCI is estimated by reference to quoted bid price in an active market at the end of the reporting period and is categorized as Level 1.

Lease Liabilities. The fair value of lease liabilities were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

Rental and Security Deposits and Other Noncurrent Liabilities. Fair values of security deposits are based on the present value of the expected future cash flows using discount rates ranging from 3.40% to 3.52%. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

25. Events After the Reporting Year

Pursuant to Presidential Proclamation Nos. 929 and 922, series of 2020, a State of Calamity was declared throughout the country due to COVID-19 pandemic. In a move to contain the rapid increase of COVID-19 cases, strict social distancing measures has been imposed and the entire Luzon has been placed under Enhanced Community Quarantine (ECQ) effective March 17, 2020. These measures and events have caused business disruptions and its impact to the Group continue to evolve.

The Group considers these events as a non-adjusting subsequent event and have no impact in the financial position and performance of the Group as at and for the year ended December 31, 2019. However, the outbreak may have an uncertain impact on its 2020 financial results. Considering the evolving nature of this outbreak, the Group cannot ascertain at this time the impact to its financial position, performance and cashflows. The Group will continue to monitor the situation.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Paxys, Inc. (the Parent Company) and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and have issued our report thereon dated March 27, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission (SEC) are the responsibility of the Group's management.

The supplementary schedules include the following:

- Schedules Required under Annex 68-E of Revised Securities Regulation Code (SRC) Rule 68 as at and for the years ended December 31, 2019 and 2018
- Schedules Required under Annex 68-J of Revised SRC Rule 68 as at and for the year ended December 31, 2019
- Reconciliation of the Parent Company Retained Earnings Available for Dividend Declaration for the year ended December 31, 2019
- Corporate Structure as at December 31, 2019

The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years ended December 31, 2019 and no material exceptions were noted.

The supplementary schedules are presented for purposes of complying with Revised SRC Rule 68 issued by the SEC, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2019
Valid until October 20, 2022
PTR No. 8116475
Issued January 6, 2020, Makati City

March 27, 2020
Makati City, Metro Manila

PAXYS, INC. AND SUBSIDIARIES

LIST OF SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68

Other Required Information

* *Not Applicable*

SCHEDULE A

PAXYS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS

DECEMBER 31, 2019

(Amounts in Thousands)

Financial Asset/ Name of issuing entity	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash in Banks			
UBS Bank	–	₱17,682	₱476
BDO Unibank, Inc.	–	10,999	26
Bank Julius Baer	–	10,284	170
Bank of the Philippine Islands	–	7,080	19
Security Bank Corporation	–	605	1
Metropolitan Bank and Trust Company	–	78	2
J.P. Morgan Chase Bank	–	–	8
		46,728	702
Cash Equivalents			
J.P. Morgan Chase Bank	–	977,915	15,563
Bank of the Philippine Islands	–	877,374	42,835
Bank Julius Baer	–	874,708	25,109
UBS Bank	–	413,756	14,295
Security Bank Corporation	–	80,252	1,773
Metrobank Card Corporation	–	17,000	4,539
		3,241,005	104,114
		3,287,733	104,816
Financial Assets at FVPL			
Bank Julius Baer	–	253,032	–
Bank of the Philippine Islands	–	1,853	–
		254,885	–
Financial Assets at FVOCI			
Fixed Income Investments:			
UBS Bank Managed Funds	$3,000	153,101	6,245
Financial Assets at Amortized Cost			
Bank Julius Baer	$1,000	50,654	4,239
Bank of the Philippine Islands	–	–	1,028
J.P. Morgan Chase Bank	–	–	220
		50,654	5,487
Trade and Other Receivables - Net			
Trade	–	10,134	–
Accrued interest	–	18,073	–
Due from related parties	–	13,973	–
Others	–	2,109	–
	–	44,289	–
Rental and Security Deposits	–	3,592	–
		₱3,794,254	₱116,548

SCHEDULE B

PAXYS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2019

(Amounts in Thousands)

	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written-off	Current	Noncurrent	Balance at end of year
Advances to officers and employees	₱1,485	₱1,775	₱2,204	₱–	₱1,056	–	₱1,056

SCHEDULE C

PAXYS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Amounts in Thousands)

Related Parties	Balance at Beginning of Year	Additions*	Amounts Collected	Current	Noncurrent	Balance at end of Year
Due from Related Parties						
Paxys Global Services, Inc.	₱66,410	₱321	₱370	₱66,361	₱–	₱66,361
Scopeworks Asia, Inc.	58,149	85	39	58,195	–	58,195
Paxys N.V.	21,603	–	707	20,896	–	20,896
Paxys Ltd.	11,403	484	–	11,887	–	11,887
Paxys Global Services Ltd. Regional Operating Headquarters	13,893	250	326	13,817	–	13,817
Paxys Global Services Pte. Ltd	34,859	–	842	34,017	–	34,017
	₱206,317	₱1,140	₱2,284	₱205,173	₱–	₱205,173

**inclusive of foreign currency translation adjustmentson dollar-denominated receivables*

SCHEDULE G

PAXYS, INC. AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares - "Class A" at ₱1 par value	1,800,000,000	1,148,534,866	–	976,466,515	217,800	171,850,551

SCHEDULE H

PAXYS, INC.

15th Floor 6750 Ayala Office Tower Ayala Avenue, Makati City

RECONCILIATION OF PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2019

Deficit at Beginning of Year	(₱132,514,032)
Net unrealized foreign exchange in 2018	(997,382)
Deficit at Beginning of Year, as Adjusted	(133,511,414)
Net Loss Actually Realized During the Year	
Net loss during the year closed to retained earnings	(34,789,100)
Unrealized foreign exchange loss in 2019	620,143
Unrealized foreign exchange gain in 2018, realized in 2019	997,382
	(33,171,575)
Deficit at End of Year	(₱166,682,989)

SCHEDULE I

PAXYS, INC. AND SUBSIDIARIES

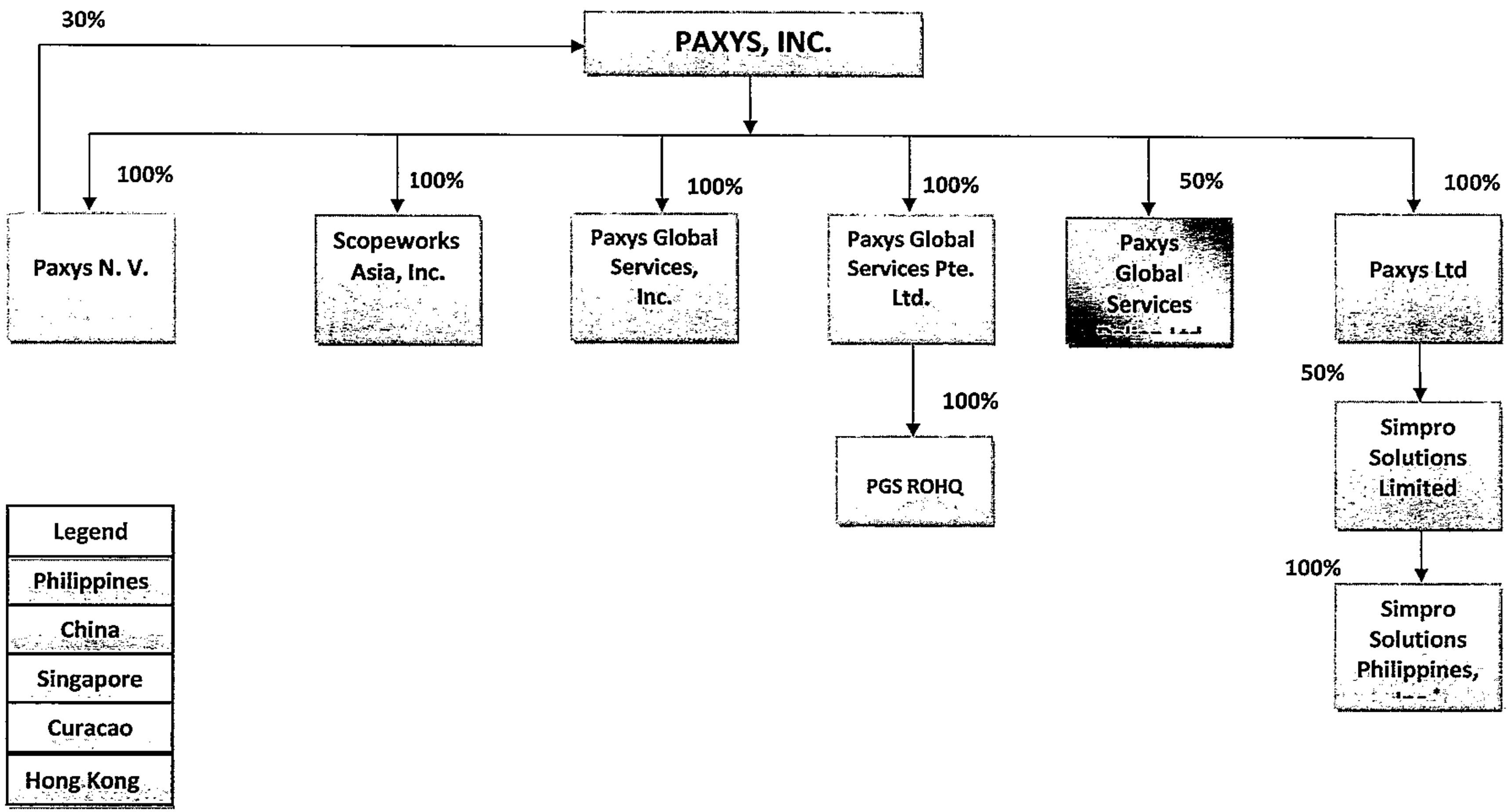
FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019 AND 2018

	Formula		2019	2018
Liquidity ratio				
Current ratio	Total Current Assets	₱3,813,632	**91.57: 1**	134.51: 1
	Divide by: Total Current Liabilities	41,645		
	Current ratio	91.57		
Solvency ratio				
Debt to equity ratio	Total Liabilities	₱80,144	**0.02: 1**	0.01: 1
	Divide by: Total Equity	3,786,979		
	Debt to equity ratio	0.02		
Profitability ratio				
Return on equity	Net Income	₱24,282	**0.64%**	0.36%
	Divide by: Total Equity	3,786,979		
	Return on equity	0.64%		
Net income margin	Net Income	₱24,282	**30.93%**	16.29%
	Divide by: Revenue	78,506		
	Net income margin	30.93%		
Earnings (loss) before interest, tax, depreciation and amortization (EBITDA) margin	Income before tax	₱34,709	**70.84%**	26.37%
	Add: Depreciation and amortization	19,379		
	Interest expense	1,526		
	EBITDA	55,614		
	Divided by: Revenue	78,506		
		70.84%		

SCHEDULE J

PAXYS, INC. AND SUBSIDIARIES
CORPORATE STRUCTURE
AS AT DECEMBER 31, 2019



Currently under dissolution and liquidation. See Notes to Consolidated Financial Statements

Annex D

COVER SHEET

6	6	0	9

SEC Registration Number

PAXYS, INC. AND SUBSIDIARIES

(Company's Full Name)

15F, 6750 AYALA OFFICE TOWER,

AYALA AVENUE, MAKATI CITY

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

Mayette H. Tapia

(Contact Person)

(+632) 8250-3800

(Company Telephone Number)

0 9 *Month* **3 0** *Day*

(2020)

1 7 - Q

(Form Type)

1 2 *Month* **1 0** *Day*

(Annual Meeting)

Not applicable

(Secondary License Type, If Applicable)

-

Dept. Requiring this Doc.

-

Amended Articles Number/Section

Total Amount of Borrowings

714

Total No. of Stockholders

nil

Domestic

nil

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **September 30, 2020**

2. SEC Identification Number: **6609** 3. BIR Tax Identification No. **000-233-218**

4. Exact Name of the registrant as specified in its charter: **PAXYS, INC.**

5. Province, country or other jurisdiction of Incorporation or organization: **Makati, Philippines**

6. Industry Classification Code: ______ (SEC Use Only)

7. Address of registrant's principal office: Postal Code:**1226**

   15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City

8. Registrant's telephone number, including area code: **(+632) 8250-3800**

9. Former name, former address, and former fiscal year, if changed since last report

   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

    a) Authorized Capital Stock

Common shares, P1.00 par value	1,800,000,000 shares

    b) Issued and Outstanding Shares

Common shares, P1.00 par value	1,148,534,866 shares

    c) Amount of Debt Outstanding as of September 30, 2020

Short-term and Long-term loans	None

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

    Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements include the accounts of Paxys, Inc. ("Paxys", the "Company", or the "Parent Company") and the following subsidiaries and joint ventures (collectively referred to as the "Group"):

			Percentage of Ownership			
			September 30, 2020		December 31, 2019	
Subsidiaries	Place of Incorporation	Principal Activity	**Direct**	**Indirect**	Direct	Indirect
Paxys N.V.*	Curacao	Investment Holding	**100.0%**	–	100.0%	–
ScopeWorks Asia, Inc. (SWA)	Philippines	Business Process Outsourcing	**100.0%**	–	100.0%	–
Paxys Realty, Inc. (PRI)	Philippines	Real Estate	**100.0%**	–	100.0%	–
Paxys Global Services Pte Ltd (PGSPL)	Singapore	Business Process Outsourcing	**100.0%**	–	100.0%	–
Paxys Global Services Pte Ltd ROHQ (PGS ROHQ)	Philippines	Shared Services	–	**100.0%**	–	100.0%
Paxys Ltd.	Hong Kong	Investment Holding	**100.0%**	–	100.0%	–
Simpro Solutions Ltd.	Hong Kong	Regional Office	–	**50%**	–	50%
Simpro Solutions Philippines, Inc. (Simpro Phils)	Philippines	Contact Center	–	**50%**	–	50%
Paxys Global Services (Dalian) Ltd.	China	Contact Center	**50%**	–	50%	–

** As at September 30, 2020, Paxys N.V. owns 345,622,477 common shares of the Parent Company representing 30.09% of total outstanding capital stock*

The unaudited consolidated financial statements as at and for the nine-month period ended September 30, 2020 has been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes 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) and are filed as Annex A of this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

The MD&A is a discussion and analysis of the Group's financial performance for the nine-month period ended September 30, 2020. The primary objective of this MD&A is to help the readers understand the dynamics of the Group's business and the key factors underlying the Group's financial results.

The MD&A for the nine-month period ended September 30, 2020 should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes, and are filed as Annex B of this report.

Item 3. Aging of Trade Receivables

Please see Annex C.

PART II. SIGNATURES

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

Registrant: PAXYS, INC.

Tarcisio M. Medalla
Chairman of the Board and President
November 5, 2020

Mayette H. Tapia
Corporate Secretary
November 5, 2020

Annex A

PAXYS, INC.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2020 and December 31, 2019
and for the Nine-Month Period Ended September 30, 2020 and 2019

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2020 and December 31, 2019
(Amounts in Thousands)

	September 30 (Unaudited)	December 31 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,829,379**	₱3,287,798
Short-term investments (Note 5)	**791,842**	458,640
Trade and other receivables (Note 6)	**33,771**	44,289
Other current assets (Note 7)	**24,856**	22,905
Total Current Assets	**3,679,848**	3,813,632
Noncurrent Assets		
Right-of-use (Note 18)	**27,289**	38,369
Property and equipment (Note 9)	**3,486**	6,035
Intangibles (Note 10)	**301**	316
Other noncurrent assets (Note 11)	**10,205**	8,771
Total Noncurrent Assets	**41,281**	53,491
	₱3,721,129	₱3,867,123
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱28,547**	₱27,203
Lease liability – current portion (Note 18)	**9,565**	14,420
Income tax payable	**-**	22
Total Current Liabilities	**38,112**	41,645
Noncurrent Liabilities		
Lease liability (Note 18)	**17,175**	23,153
Retirement liability (Note 17)	**13,544**	13,544
Other noncurrent liability	**1,802**	1,802
Total Noncurrent Liabilities	**32,521**	38,499
Total Liabilities	**70,633**	80,144
Equity		
Capital stock (Note 13)	**1,148,535**	1,148,535
Additional paid-in capital (Note 13)	**451,364**	451,364
Parent shares held by a subsidiary (Note 13)	**(1,149,886)**	(1,149,886)
Other equity reserves	**297,981**	416,426
Retained earnings	**2,902,502**	2,920,540
Total Equity	**3,650,496**	3,786,979
	₱3,721,129	₱3,867,123

See accompanying Management Discussion and Analysis and Selected Notes to Interim Condensed Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
For the Nine-month Periods Ended September 30, 2020 and 2019
(Amounts in Thousands, except Basic/Diluted Earnings per share)

	Nine Months		Three Months	
	2020	2019	**2020**	2019
SERVICE INCOME	**₱43,842**	₱61,120	**₱17,809**	₱19,586
COSTS OF SERVICES (Note 14)	**(30,398)**	(44,664)	**(10,794)**	(13,848)
GROSS PROFIT	**13,444**	16,456	**7,015**	5,738
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**(69,815)**	(76,025)	**(21,364)**	(23,882)
INTEREST INCOME (Note 16)	**39,470**	84,217	**9,291**	27,195
NET FOREIGN EXCHANGE GAIN (LOSS) (Note 16)	**(3,369)**	(652)	**(2,171)**	1,420
INTEREST EXPENSE (Note 18)	**(996)**	(1,985)	**(296)**	(777)
OTHER INCOME (EXPENSE) (Note 16)	**3,228**	565	**(109)**	250
INCOME (LOSS) BEFORE INCOME TAX	**(18,038)**	22,576	**(7,634)**	9,944
PROVISION FOR INCOME TAX	–	–	–	–
NET INCOME (LOSS)	**(₱18,038)**	₱22,576	**(₱7,634)**	₱9,944
EARNINGS (LOSS) PER SHARE				
Basic/Diluted Earnings (Loss) per Share	**(₱0.02)**	₱0.03	**(₱0.01)**	₱0.01

See accompanying Management Discussion and Analysis and Selected Notes to Interim Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
For the Nine-month Periods Ended September 30, 2020 and 2019
(Amounts in Thousands)

	Nine Months		Three Months	
	2020	2019	**2020**	2019
NET INCOME (LOSS)	**(₱18,038)**	₱22,576	**(₱7,634)**	₱9,944
OTHER COMPREHENSIVE INCOME (LOSS)				
Translation Gain (Loss)	**(118,445)**	(40,476)	**(73,991)**	31,652
Net fair value changes on financial assets at fair value through Other Comprehensive Income	**–**	4,194	–	(1,694)
	(118,445)	(36,282)	**(73,991)**	29,958
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱136,483)**	(₱13,706)	**(₱81,625)**	₱39,902

See accompanying Management Discussion and Analysis and Selected Notes to Interim Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
For the Nine-Month Periods Ended September 30, 2020 and 2019
(Amounts in Thousands)

	Total Equity Attributable to Equity Holders of the Parent Company							
					Other Equity Reserve			
	Capital Stock ₱1 Par Value (Note 13)	**Additional Paid-in Capital (Notes 13)**	**Retained Earnings**	**Parent shares held by a subsidiary (Note 13)**	**Cumulative Translation Adjustments**	**Unrealized gains on financials assets at FVOCI**	**Actuarial gains (loss)**	**Total**
At January 1, 2020	**₱1,148,535**	**₱451,364**	**₱2,920,540**	**(₱1,149,886)**	**₱417,126**	**₱1,196**	**(₱1,896)**	**₱3,786,979**
Total comprehensive loss for the period	**–**	**–**	**(18,038)**	**–**	**(118,445)**	**–**	**–**	**(136,483)**
At September 30, 2020	**₱1,148,535**	**₱451,364**	**₱2,902,502**	**(₱1,149,886)**	**₱298,681**	**₱1,196**	**(₱1,896)**	**₱3,650,496**

	Total Equity Attributable to Equity Holders of the Parent Company							
					Other Equity Reserve			
	Capital Stock ₱1 Par Value (Note 13)	Additional Paid-in Capital (Notes 13)	Retained Earnings	Parent shares held by a subsidiary (Note 13)	Cumulative Translation Adjustments	Unrealized gains on financials assets at FVOCI	Actuarial gains (loss)	Total
At December 31, 2018	₱1,148,535	₱451,364	₱2,896,258	(₱1,149,886)	₱523,263	(₱4,678)	(₱1,227)	₱3,863,629
Adjustment for PFRS 16 Adoption	–	–	1,443	–	–	–	–	1,443
At January 1, 2019	1,148,535	451,364	2,897,701	(1,149,886)	523,263	(4,678)	(1,227)	3,865,072
Total comprehensive income (loss) for the period	–	–	22,576	–	(40,476)	4,194	–	(13,706)
At September 30, 2019	₱1,148,535	₱451,364	₱2,920,777	(₱1,149,886)	₱482,787	(₱484)	(₱1,227)	₱3,851,366

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Nine-month Periods Ended September 30, 2020 and September 30, 2019
(Amounts in Thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱18,038)**	₱22,576
Adjustments for:		
Interest income	**(39,470)**	(84,217)
Depreciation and amortization:		
Right-of-use assets	**11,080**	10,952
Property and equipment and intangibles	**3,428**	3,490
Unrealized foreign exchange loss	**3,779**	196
Provision for non-recoverable input VAT	**6**	
Operating loss before working capital changes	**(39,215)**	(47,003)
Decrease (increase) in:		
Trade and other receivables	**(1,128)**	(762)
Other current assets	**(1,957)**	(2,843)
Other noncurrent assets	**(1,435)**	(408)
Increase (Decrease) in:		
Trade and other payables	**1,321**	2,946
Other noncurrent liabilities	**–**	423
Cash used for operations	**(42,414)**	(47,647)
Interest received	**51,116**	79,277
Net cash provided by operating activities	**8,702**	31,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short-term investments	**(333,252)**	375,363
Acquisition of property and equipment and intangibles	**(864)**	(1,836)
Net cash provided by (used in) investing activities	**(334,116)**	373,527
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on lease liabilities	**(11,828)**	(11,482)
Interest expense on lease liabilities	**996**	1,985
Net cash used in financing activities	**(10,832)**	(9,497)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(122,173)**	(40,672)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(458,419)**	354,988
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,287,798**	3,155,310
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱2,829,379**	₱3,510,298

See accompanying Management Discussion and Analysis and Selected Notes to Interim Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Paxys, Inc. (“Paxys”, the “Company”, or the “Parent Company”) is an investment holding company incorporated in the Philippines and listed on the Philippine Stock Exchange (stock symbol: PAX). It was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. At present, the Parent Company’s operating subsidiaries provide general transcription, data conversion, contact center and back office outsourcing services. As of Septmeber 30, 2020, its major shareholders are All Asia Customer Services Holdings Ltd. (AACSHL), a privately-held company incorporated in Hong Kong, and Paxys NV, a wholly owned subsidiary of the Company, with 54.93% and 30.09% interests, respectively. The registered office address of Paxys is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation
The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value though other comprehensive income (FVOCI), which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

Statement of Compliance
The unaudited interim condensed consolidated financial statements for the nine-month period ended September 30, 2020 have been prepared in accordance with PAS34, *Interim Financial Reporting*. Accordingly, the unaudited interim consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles in the Philippines (“Philippine GAAP”) for complete financial statements as set forth in the PFRS.

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance–in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - Definition of a Business – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, an integrated set of activities and assets must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Basis of Consolidation

The interim condensed consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiaries	Place of Incorporation	Principal Activity	**2020** Direct	**2020** Indirect	2019 Direct	2019 Indirect
Paxys N.V.*	Curacao	Investment holding	**100%**	–	100%	–
ScopeWorks Asia, Inc. (SWA)	Philippines	Data conversion	**100%**	–	100%	–
Paxys Realty, Inc.	Philippines	Real Estate	**100%**	–	100%	–
Paxys Global Services Pte Ltd (PGSPL)	Singapore	Business Process Outsourcing	**100%**	–	100%	–
Paxys Global Services Pte Ltd ROHQ (PGS ROHQ)	Philippines	Shared services	–	**100%**	–	100%
Paxys Ltd.	Hong Kong	Investment holding	**100%**	–	100%	–

**Paxys N.V. owns 345,622,477 common shares of the Parent Company representing 30.09% of the total outstanding capital stock of the Parent Company*

The Parent Company and its subsidiaries are collectively referred to as "the Group."

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting years as that of the Parent Company. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany accounts, transactions and balances including intercompany profits, unrealized profits and losses and dividends are eliminated in full in the consolidated financial statements.

Foreign Currencies

The Group's interim condensed consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional and presentation currency. The Philippine peso is the currency of the primary economic environment in which the Group operates. This is also the currency that mainly influences the revenue and cost of rendering products and services. All the subsidiaries, associates and joint ventures evaluate their primary economic and operating environment and determine their functional currency. Items included in the financial statements of each entity are initially measured using that functional currency.

The functional currency of the Parent Company, SWA, Simpro Philippines, PRI and PGS ROHQ is the Philippine Peso. The functional currency of PGSPL is Singapore Dollar (SG$). The functional currency of Paxys Ltd., Simpro Solutions Limited and Paxys N.V. is U.S. Dollar (US$).

Transactions in foreign currencies are initially recorded in the functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional closing rate of exchange at the end of the reporting period. The exchange differences arising on settlement or translation of monetary items are recognized in profit or loss.

Foreign operations. On consolidation, the assets and liabilities of foreign operations are translated into Philippine pesos at the rate of exchange prevailing at the reporting date and their income statements are translated at weighted average exchange rates at the end of the year. The exchange differences arising on translation for consolidation are included in the cumulative translation adjustment, a separate component of equity under other equity reserves. Upon disposal of a foreign operation, the cumulative translation adjustment relating to that particular foreign operation is recognized in profit and loss.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realized or intended to sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as noncurrent.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid deposits that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial Recognition. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments classified as fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation

technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a "Day 1" difference amount.

Classification. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized in profit or loss. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Group classifies its financial assets into the following categories: financial assets at FVPL, financial assets at amortized cost and financial assets through other comprehensive income (FVOCI). The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities at amortized cost.

The classification of financial instruments largely depends on the Group's business model.

The Group does not have financial instrument classified as financial asset or financial liabilities at FVPL.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Financial assets at amortized cost are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, trade and other receivables and held-to-maturity investments are classified under this category.

Financial Assets at FVOCI. For debt instruments, financial assets shall be measured at fair value through other comprehensive income if both of the following conditions are met:
the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other equity reserves" account in the equity section of the unaudited interim consolidated statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Group classifies its quoted debt and equity instruments under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

Trade and other payables (excluding statutory payables) are classified under this category.

Reclassification
For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets
The Group assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired.

Financial Assets Carried at Amortized Cost.
The Group records an allowance for “expected credit loss”. Expected credit losses (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade and other receivables, the Group has established a provision matrix that is based on the industry’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Asset at FVOCI. For debt instruments classified as financial asset at FVOCI, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest income continues to be recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in profit or loss.

Derecognition of Financial Assets and Liabilities
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Group when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of property and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes the cost of replacing the part of such property and equipment and borrowing costs for long-term construction projects when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such costs are incurred. Depreciation commences once the property and equipment are available for use and is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset Type	Number of Years
Computer equipment	3 to 5
Communication equipment	3 to 5
Leasehold improvements	5 or lease term, whichever is shorter
Office furniture, fixtures and equipment	2 to 5
Transportation equipment	5

Other Intangible Assets
Other intangible assets with finite useful lives are composed of the Company's website and software packages. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization expense on intangible assets with finite lives is recognized under "Costs of services" and "General and administrative expenses" accounts in the consolidated statement of income.

Investments in Joint Ventures
The Parent Company has interests in joint ventures, whereby the venturers have a contractual arrangement that establishes joint control. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognizing its share of further losses.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount and recognizes the difference in profit or loss.

After the Group's investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not previously recognized.

<u>Equity</u>

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital (APIC).

APIC on stock options represents the cumulative compensation expense recognized from equity-settled share-based payment plan, net of cumulative compensation expense related to exercised and expired stock options.

Parent Shares Held by a Subsidiary. Where any entity of the Group purchases the Parent Company's shares (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Parent Company's equity holders.

Retained earnings represent accumulated earnings net of dividends declared.

Other equity reserves comprise items of income and expense, including reclassification adjustments, that are not recognized in consolidated statement of income as required or permitted by other PFRS.

<u>Revenue Recognition</u>

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Service Income. Revenue is recognized as services are rendered.

Interest Income. Revenue is recognized as the interest accrues using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Equity in Net Earnings (Losses) of Joint Ventures. The Company recognizes its share in the net income (loss) of joint ventures proportionate to its interest in the joint ventures in accordance with the equity method of accounting for investments.

Other Income. Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statement of income in the year these are incurred.

Employee Benefits
Short-term Employee Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.
Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in Other Comprehensive Income. The Group determines the net interest expense to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the year as a result of contributions and benefit payments.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The retirement liability recognized by the Group is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Termination Benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting year are discounted to present value.

Leases
At the inception of a contract, the Group assesses whether a contract is, or contains, a lease.
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset - this may be specified or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is predetermined, the Group has the right to direct the use of the asset if either:
    - The Group has the right to operate the asset; or
    - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability is mainly composed of fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. When the liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's interim condensed consolidated financial statements in compliance with PFRS requires management to make judgment and estimates that affect certain reported amounts and disclosures. The judgment and estimates used in the interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Accordingly, actual results could differ from those estimates, and such estimates will be adjusted accordingly.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements.

Determination of Functional Currency. Based on the economic substance of the underlying circumstances, the Group has determined that its functional currency is the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company and certain subsidiaries operate. It is the currency that mainly influences the sale of services and the costs of providing the services.

Determination of Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Non-Recognition of Deferred Tax Liability (DTL) on Undistributed Income of a Foreign Subsidiary. Since Paxys N.V., a company incorporated and domiciled in Curacao, is a wholly owned subsidiary by the Parent Company, management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company. Thus, no deferred tax liability was recognized on the undistributed income of Paxys N.V.

Leases. Management applied PFRS 16 standard in classifying its leases. Right of use asset and lease liability for outstanding lease commitments were recognized as of January 1, 2019.

Other Lease Commitments. The Company has entered into various lease agreements. These leases are classified as short-term lease (12 months or less) and/or the underlying assets have no significant value, thus, accounted for under operating lease principle.

Rent expense amounted to ₱158 thousand and ₱172 thousand for the nine-month period ended September 30, 2020 and 2019, respectively. See notes 14 and 15.

Provisions and Contingencies. The Group is involved in various labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of certain claims and assessments, no provision is deemed necessary in 2020 and 2019. The Group has no outstanding provision for probable losses as at September 30, 2020 and December 31, 2019.

<u>Estimates and Assumptions</u>
The key assumptions concerning future and other key sources of estimation at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determination of Fair Value of Financial Instruments. PFRS require that certain financial assets and liabilities be carried at fair value. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using degree of judgment required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimation of Useful Lives of Property and Equipment and Other Intangible Assets with Finite Useful Lives. The useful life of each of the Company's items of property and equipment and intangible assets with finite useful lives is estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. There is no change in the estimated useful lives of property and equipment and other intangible assets with finite useful lives in 2020 and 2019.

Estimation of Impairment Losses on Receivables. The Company maintains allowance for doubtful accounts at a level based on the result of the individual and collective assessment. Under the individual assessment, the Company considers the payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, length of the Company's relationship with the customers, average age of accounts and collection experience) of the customers.

Allowance for impairment losses on trade and other receivables amounted to ₱96.6 million as at September 30, 2020 and December 31, 2019. The carrying values of trade and other receivables amounted to ₱33.8 million and ₱44.3 million as at September 30, 2020 and December 31, 2019, respectively (see Note 6).

Determination of Realizability of Input Value Added Tax (VAT). The carrying amount of input tax is reviewed at each reporting date and reduced to the extent that it will be not be utilized. The carrying amount of the asset is reduced through the use of an allowance account.

An increase in provision for potential losses on input tax would increase the Company's recorded expenses and decrease current assets.

The carrying value of input VAT, net of allowance, amounted to ₱22.8 million and ₱21.1 million as at September 30, 2020 and December 31, 2019, respectively (see Note 7). Allowance for non-recoverability of input VAT amounted to ₱49.6 million as at September 30, 2020 and December 31, 2019, respectively.

Determination of Retirement liability. The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension 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 assumptions are reviewed at each reporting date.

The retirement liability amounted to ₱13.5 million as at September 30, 2020 and December 31, 2019 (see Note 17).

4. Cash and Cash Equivalents

	Sept 30, 2020	Dec 31, 2019
Cash on hand and in banks	**₱52,461**	₱46,793
Cash equivalents	**2,776,918**	3,241,005
	₱2,829,379	₱3,287,798

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

5. Short-term investments

This account consists of:

	Sept 30, 2020	Dec 31, 2019
Financial Assets at Fair Value		
Profit or Loss (FVPL)	**₱10,374**	₱254,885
Other Comprehensive Income (FVOCI)	**364,345**	153,101
Financial Assets at Amortized Cost	**417,123**	50,654
	₱791,842	₱458,640

Financial assets at FVPL are investments held at local banks. Financial assets at FVOCI pertains to investments managed by international banks which provides fixed interest income and capital appreciation. Financial assets at amortized cost consist of unquoted bonds with fixed interest rate and maturity.

6. Trade and Other Receivables

	Sept 30, 2020	Dec 31, 2019
Trade	**₱18,879**	₱19,750
Advances to related parties	**84,329**	83,292
Other receivables	**27,182**	37,866
	130,390	140,908
Allowance for impairment losses	**(96,619)**	(96,619)
	₱33,771	₱44,289

Trade receivables are noninterest-bearing and generally have 30 to 60 day terms. Other receivables which includes advances to employees, security deposits and other nontrade receivables are expected to be settled/liquidated within the year.

7. Other Current Assets

This account consists of:

	Sept 30, 2020	Dec 31, 2019
Input VAT, net of allowance for unrecoverability	**₱22,769**	₱21,122
Prepayments	**2,087**	1,783
	₱24,856	₱22,905

8. Investments in Joint Venture

Joint venture	Place of Incorporation	Principal Activity	Percentage of Ownership Sept 30, 2020	Percentage of Ownership Dec 31, 2019
PGS Dalian	China	Contact center	**50%**	50%
Simpro Solutions Limited	Hong Kong	Contact center	**50%**	50%

The Company recognizes its interest in these joint ventures using equity method of accounting.

Investments in joint ventures as at September 30, 2020 and December 31, 2019 are nil. Due to share in accumulated losses, investment in PGS Dalian and Simpro Solutions Limited is already depleted, thus, Paxys did not recognize further share in losses for the nine-month period ended September 30, 2020 and in 2019.

9. Property and Equipment

The movement of this account follows:

	September 30, 2020					
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of period	**₱109,746**	**₱7,624**	**₱160,251**	**₱15,133**	**₱9,749**	**₱302,503**
Additions	**261**	–	**476**	**18**	–	**755**
Balance at end of period	**110,007**	**7,624**	**160,727**	**15,151**	**9,749**	**303,258**
Accumulated Depreciation						
Balance at beginning of period	**108,058**	**7,624**	**157,977**	**13,060**	**9,749**	**296,468**
Depreciation for the period	**863**	–	**1,470**	**971**	–	**3,304**
Balance at end of period	**108,921**	**7,624**	**159,447**	**14,031**	**9,749**	**299,772**
Net Book Value	**₱1,086**	**₱–**	**₱1,280**	**₱1,120**	**₱–**	**₱3,486**

Property and equipment are depreciated using the economic lives as follows:

Computer equipment	3 to 5 years
Communication equipment	3 to 5 years
Leasehold improvements	5 years or lease term whichever is shorter
Office furniture, fixtures and equipment	2 to 5 years
Transportation equipment	5 years

	December 31, 2019					
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	₱109,584	₱7,624	₱159,084	₱14,060	₱9,749	₱300,101
Additions	162	–	1,167	1,073	–	2,402
Balance at end of year	109,746	7,624	160,251	15,133	9,749	302,503
Accumulated Depreciation						
Balance at beginning of year	106,973	7,624	156,129	11,808	9,749	292,283
Depreciation for the year	1,085	–	1,848	1,252	–	4,185
Balance at end of year	108,058	7,624	157,977	13,060	9,749	296,468
Net Book Value	₱1,688	₱–	₱2,274	₱2,073	₱–	₱6,035

As of September 30, 2020 and December 31, 2019, fully depreciated property and equipment with aggregate cost amounting to ₱58.1 million are still being used in the operations.

10. Intangible Assets

Movements in this account are as follows:

	Sept 30, 2020	Dec 31, 2019
Balance at beginning of period - net of accumulated amortization	**₱316**	₱610
Amortization	**(124)**	(320)
Additions	**109**	26
Balance at end of year - net of accumulated amortization	**₱301**	₱316
Cost	**₱15,586**	₱15,477
Accumulated amortization	**(15,285)**	(15,161)
	₱301	₱316

Intangible assets include acquired website and software packages which are amortized over three to five years.

11. Other Noncurrent Assets

Other noncurrent assets pertain mainly to security deposits on lease agreements, which are refundable at the end of various lease period and claims of tax refund expected to be received beyond 12 months after the reporting date. As at September 30, 2020 and December 31, 2019, this amounted to ₱10.2 million and ₱8.8 million, respectively.

12. Trade and Other Payables

	Sept 30, 2020	Dec 31, 2019
Trade payables	**₱3,275**	₱1,974
Accrued expenses	**10,794**	10,404
Dividends payables	**6,554**	6,554
Statutory payable	**6,326**	6,523
Other current liabilities	**1,598**	1,748
	₱28,547	₱27,203

Trade payables are noninterest-bearing and are normally settled on a 90-day term.

Accrued expenses mainly represent accruals for utilities, communications, and other employee benefits. Statutory payables represent withholding tax payable and other liabilities to the government.

13. Stockholders' Equity

Capital Stock

On June 27, 2008, the Company's Board of Directors authorized and approved the increase in authorized capital stock from ₱1,200 million to ₱1,800 million by way of a stock dividend declaration.

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Cost
Balance as at and beginning and end of period	1,800,000,000	1,148,534,866	₱1,148,535

Parent Shares Held by a Subsidiary

In October 2014, Paxys N.V., a wholly-owned subsidiary of the Parent Company, completed the tender offer to acquire 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock.

Additional Paid-in Capital (APIC)

This account consists of:

Premium on issuance of shares of stocks	₱348,213
Premium on forfeited stock option	103,151
	₱451,364

Premium on issuance of shares of stocks represents the excess of paid capital over the par value of capital stock. Premium on forfeited stock options represents increase in equity arising from equity-settled share-based payment transactions.

14. Cost of Services

	Nine Months		Three Months	
	2020	2019	**2020**	2019
Personnel cost	**₱14,162**	₱25,591	**₱5,238**	₱7,524
Depreciation and amortization on:				
Right-of-use	**5,311**	4,913	**1,770**	1,638
Property, equipment, and intangibles	**2,947**	3,087	**980**	943
Communication	**2,372**	2,583	**782**	920
Utilities	**2,295**	2,985	**826**	1,019
Security and janitorial services	**2,097**	2,997	**802**	1,000
Repairs and maintenance	**157**	411	**31**	80
Travel	**160**	245	**91**	55
Rent	**68**	68	**49**	23
Outside services	**-**	1,009	**-**	360
Others	**829**	775	**225**	286
	₱30,398	₱44,664	**₱10,794**	₱13,848

15. **General and Administrative Expenses**

	Nine Months		Three Months	
	2020	2019	**2020**	2019
Professional fees	**₱30,654**	₱33,143	**₱9,500**	₱9,875
Personnel cost	**22,399**	24,075	**5,547**	7,531
Depreciation and amortization on:				
Right-of-use	**5,769**	6,039	**1,923**	2,013
Property, equipment, and intangibles	**481**	403	**166**	142
Utilities	**1,942**	1,915	**639**	623
Bank charges	**831**	922	**-**	526
Communication	**1,298**	1,402	**407**	517
Security and janitorial services	**1,033**	1,223	**370**	405
Taxes and licenses	**589**	601	**142**	146
Insurance	**1,371**	2,077	**1,085**	444
Entertainment, amusement and recreation	**273**	726	**96**	285
Supplies	**328**	375	**168**	124
Transportation and travel	**202**	861	**91**	266
Repairs and maintenance	**232**	197	**136**	60
Rent	**90**	104	**30**	29
Provision for impairment losses on receivables and input VAT	**6**	6	**6**	-
Others	**2,317**	1,956	**1,058**	896
	₱69,815	₱76,025	**₱21,364**	₱23,882

16. **Interest Income (Expense), Foreign Exchange Gains and Losses, and Other Income**

Interest Income
Interest income for the comparative periods was generated mainly from bank deposits, and short-term fixed-rate placements, and short-term bonds amounting to ₱39.5 million and ₱84.2 million as at September 30, 2020 and September 30, 2019, respectively.

Interest Expense

Interest Expense on leases amounted to ₱1.0 million and ₱2.0 million as at September 30, 2020 and September 30, 2019, respectively.

Foreign Exchange
Net foreign exchange loss amounted to ₱3.4 million and ₱0.7 million for the nine-month period ended September 30, 2020 and September 30, 2019, respectively.

Other Income - net
Other income for the nine-month period ended September 30, 2020 and September 30, 2019 pertains to realized gain on redeemed funds, rental and miscellaneous income.

17. **Retirement Benefits**

The Parent Company and SWA maintain separate unfunded, non-contributory, defined benefit plans covering all eligible employees. An independent actuary conducts an actuarial valuation of the retirement liability. The latest actuarial report was dated December 31, 2019.

The retirement benefits recognized in the consolidated statement of income is as follows:

	December 31, 2019
Current service cost	**₱487**
Interest cost	**857**
	₱1,344

The cumulative remeasurement gain (loss) on retirement liability recognized as other comprehensive income follows:

	December 31, 2019
Balance at beginning of year	**(₱1,227)**
Remeasurement loss	**(669)**
Balance at end of year	**(₱1,896)**

Changes in the present value of obligation are as follows:

	December 31, 2019
Balance at beginning of year	**₱11,531**
Current service cost	**487**
Interest cost	**857**
Remeasurement loss recognized in OCI	**669**
Balance at end of year	**₱13,544**

The principal assumptions used in determining the cost of retirement benefits of the Group are shown below:

Discount rate	**5.21%**
Salary increase rate	**2.00%**

18. **Lease Commitments**

The Group has adopted the PFRS 16 in preparing the consolidated financial statements at January 1, 2019. Accordingly, the Group recognized right-of-use assets and lease liabilities. These are measured at present value of the lease payments discounted using the Company's incremental borrowing rate at 4.0% adjusted by advanced payment.

Movements in right-of-use assets and lease payments under leases as of September 30, 2020 are summarized below:

Right-of-use assets, January 1, 2020	₱38,369
Less: Amortizations under Cost of Service	(5,312)
Amortization under General and Administrative Expense	(5,769)
Right-of-use assets, September 30, 2020	₱27,289

Lease liabilities

Current portion	9,565
Noncurrent portion	17,175
Total lease liabilities, September 30, 2020	₱26,740

19. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, property and equipment and other intangible assets, net of allowances and provision. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities.

Inter-segment Transactions. Segment revenues, segment expenses and segment performance include transfers among business segments. Such transfers are eliminated in consolidation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income or loss in the consolidated financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments.

For management purposes, the Company is organized into business units based on their products and services and has four reportable operating segments as follows:

- Data Conversion - This segment includes data transcription and scoping services, voice-to-text message conversion and electronic data encoding and processing.

- Others - This segment includes the operations of the Parent Company and its non-operating subsidiaries.

Business Segment Data
The following table presents revenues and expenses information and certain assets and liabilities information regarding the business segments for the nine-month periods ended September 30, 2020 and 2019:

	September 30, 2020			
	Outsourcing*	**Others**	**Eliminations**	**Consolidated**
Results of Operations				
Segment revenues from external customers	**₱43,842**	**₱–**	**₱–**	**₱43,842**
Segment expenses	**(49,041)**	**(51,172)**	**–**	**(100,213)**
Segment result	**(5,199)**	**(51,172)**	**–**	**(56,371)**
Interest income	**67**	**39,403**	**–**	**39,470**
Net foreign exchange gain (loss)	**(675)**	**(2,999)**	**305**	**(3,369)**
Interest expense	**(749)**	**(247)**	**–**	**(996)**
Other segment operating income – net	**865**	**2,363**	**–**	**3,228**
Net income (loss)	**(₱5,691)**	**(₱12,652)**	**305**	**(₱18,038)**
Assets and Liabilities				
Segment assets	**₱74,157**	**₱5,300,519**	**(₱1,653,547)**	**₱3,721,129**
Segment liabilities	**93,476**	**166,712**	**(189,555)**	**70,633**
Other Segment Information				
Capital expenditures:				
Property and equipment	**₱477**	**₱278**	**₱–**	**₱755**
Intangibles	**90**	**19**	**–**	**109**
Depreciation and amortization				
Right-of-use	**5,311**	**5,769**	**–**	**11,080**
Property, equipment and intangibles	**3,115**	**313**	**–**	**3,428**

	September 30, 2019			
	Outsourcing*	Others	Eliminations	Consolidated
Results of Operations				
Segment revenues from external customers	₱61,120	₱–	₱–	₱61,120
Segment expenses	(62,672)	(58,017)	–	(120,689)
Segment result	(1,552)	(58,017)	–	(59,569)
Interest income	191	84,026	–	84,217
Net Foreign exchange gain (loss)	(96)	(556)	–	(652)
Interest expense on lease	517	48	–	565
Other segment operating income - net	(1,437)	(548)		(1,985)
Net income (loss)	(₱2,377)	₱24,953	–	₱22,576
Assets and Liabilities				
Segment assets	₱88,137	₱5,501,599	(₱1,656,202)	₱3,933,534
Segment liabilities	97,699	177,162	(192,693)	82,168
Other Segment Information				
Capital expenditures:				
Property and equipment	₱1,836	₱–	₱–	₱1,836
Intangibles	–	–	–	–
Depreciation and amortization				
Right-of-use	4,913	6,039	–	10,952
Property, equipment and intangibles	3,026	464	–	3,490

Geographical Segment Data

The following table presents the revenue and expenditure and certain asset information regarding geographical segments for the nine-month period ended September 30, 2020 and 2019:

	September 30, 2020			
	Philippines	**Others**	**Eliminations**	**Consolidated**
Revenue				
External revenue	**₱43,842**	**₱–**	**₱–**	**₱43,842**
Other Segment Information				
Segment assets	**₱5,374,676**	**₱–**	**(1,653,547)**	**₱3,721,129**
Capital expenditures:				
Property and equipment	**755**	**–**	**–**	**755**
Intangibles	**109**	**–**	**–**	**109**

	September 30, 2019			
	Philippines	Others	Eliminations	Consolidated
Revenue				
External revenue	₱61,120	₱–	₱–	₱61,120
Other Segment Information				
Segment assets	₱5,589,735	₱–	(1,656,201)	₱3,933,534
Capital expenditures:				
Property and equipment	1,836	–	–	1,836
Intangibles	–	–	–	–

20. Financial Assets and Financial Liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payable, and Dividends Payable. Due to the short-term nature of transactions, the fair value approximates the carrying amounts at initial recognition.

Refundable Deposits. The estimated fair values of refundable deposits are based on the discounted values of future cash flows using as discount rate the prevailing MART1 rates that are specific to the tenor of the instruments' cash flows as of financial reporting date.

Financial assets at FVOCI. Net asset value per unit have been used to determine the fair value of AFS investments.

21. Other Matters

Detailed schedules have been omitted for purposes of preparing these interim condensed financial statements as allowed by SRC Rule 68.

Annex B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the nine-month period ended September 30, 2020 (with comparative figures as at and for the nine-month period ended September 30, 2019. All necessary adjustments to present fairly the consolidated financial condition, results of operations, and cash flows of the Group for the nine-month period ended September 30, 2020, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited financial statements prepared in accordance with generally accepted accounting principles have been omitted.

ABOUT PAXYS GROUP

Paxys is an investment holding company registered with the SEC in February 14, 1952. Through its operating subsidiaries, Paxys has been engaged in diversified services such as business process outsourcing, data conversion. In the past years, it has divested its investments in salary packaging, call center, IT consulting and software solutions business.

Scopeworks Asia, Inc. (SWA) is a Philippine BPO company engaged in data transcription, editing, proofreading, and data conversion services with clients in the US, Australia and UK.

Paxys Realty, Inc. (formerly Paxys Global Services, Inc.) has recently amended its Articles of Incorporation to include real estate business among its primary purpose. These changes has been approved by Paxys Realty's Board of Directors on November 2017 and subsequently by the Securities and Exchange Commission on February 2018.

Simpro Solutions Limited (SSL) is a joint venture company engaged in call center and back office outsourcing activities thru its wholly-owned subsidiary, Simpro Solutions Philippines, Inc. (SSPI). In 2014, SSPI amended its Articles of Incorporation shortening the term of its existence up to June 2018. Said amendment has been approved by the Securities and Exchange Commission (SEC) on May 24, 2017. By the virtue of the Amended Articles of Incorporation, SSPI has dissolved its corporate existence on June 30, 2018.

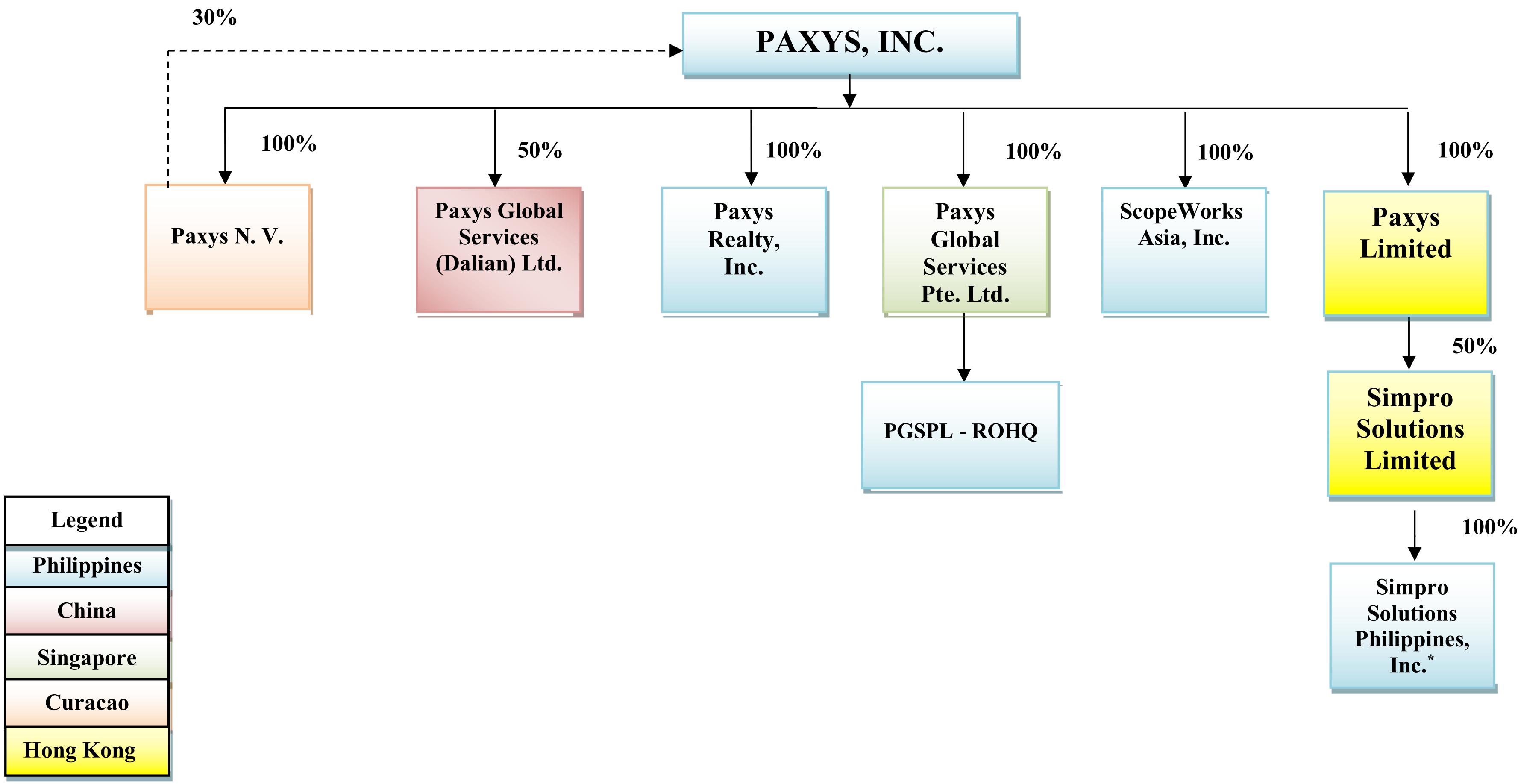
Key Performance Indicators (KPI)

The Company's management uses the following KPI:

1) Net Service Income : Service Income less discounts and allowances
2) Gross Profit Margin : Gross profit/Service Income
3) EBITDA : Earnings Before Interest, Taxes, Depreciation and Amortization
4) EBITDA Margin : EBITDA/Service Income
5) Income from Operations : Gross Profit – Operating Expenses
6) Net Income Margin : Net Income/Service Income
7) Return on Equity : Net Income/(Equity end + Equity beg – Net Income)/2
8) Current Ratio : Current Assets/Current Liabilities

Overview of Our Business

Below is the Group's corporate structure as of September 30, 2020:



* *under dissolution and liquidation*

RESULTS OF OPERATIONS AND DISCUSSION OF KPIs

Summary Profit and Loss
For the Nine-month Period Ended September 30, 2020 and 2019
(Amounts in Thousands)

	2020		2019		% Change
	Amount	**% to Sales**	Amount	% to Sales	
Service Income	**₱43,842**	**100%**	₱61,120	100%	-28%
Gross Profit	**13,444**	**31%**	16,456	27%	-18%
Loss from Operations	**(56,371)**	**(129%)**	(59,569)	(97%)	-5%
Net Income (Loss)	**(18,038)**	**(41%)**	22,576	37%	-180%
EBITDA	**(2,533)**	**(6%)**	39,004	64%	-106%

<u>FINANCIAL PERFORMANCE HIGHLIGHT</u>

The Group generated ₱43.8 million revenues for the nine-month period ending September 30, 2020, coming from the operations of Scopeworks Asia, Inc. (SWA). This is lower by 28% compared to prior year of the same period mainly due to temporary shutdown of operations in compliance with Government-mandated community quarantine as a precautionary measure for COVID-19 pandemic.

Due to declining interest rates, the Group's Interest Income from surplus funds also went down from ₱84.2 million in 2019 down by to ₱39.4 million in 2020 or about 53%.

In order to cope up with the challenges brought by the pandemic and the declining interest rates, the Group implemented cost-savings measure for more efficient operations. As of third quarter of 2020, the group saved about ₱14.2 million and ₱6.2 million in the direct costs and general administrative expenses, respectively. However, the temporary shutdown of operations during Enhanced Community Quarantine (ECQ) still resulted to a net loss of ₱18.0 million that's slightly higher than the Group's expected losses for the period.

Summary Financial Condition
For the Periods Ended September 30, 2020 and December 31, 2019
(Amounts in Thousands)

	September 30, 2020	December 31, 2019	% Change
Current Assets	**₱3,679,848**	₱3,813,632	-4%
Noncurrent Assets	**41,281**	53,491	-23%
Assets	**3,721,129**	3,867,123	-4%
Current Liabilities	**38,112**	41,645	-8%
Noncurrent Liabilities	**32,521**	38,499	-16%
Equity	**3,650,496**	3,786,979	-4%

The assets of the Group comprised mainly of cash and cash equivalents and short-term investments. Other than the net loss for the period, there are no other significant movement in the Group's balance sheet.

The movement in the group's assets and equity pertain mainly to translation losses on the dollar-denominated funds of Paxys NV. The Philippe Peso appreciated from ₱50.64 as of year-end 2019 to ₱48.5 as of September 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary source of liquidity is the cash generated from operations within the Group. The following are the cash flow movements:

For the Nine-Month Period Ended September 30	**2020**	2019	% change
Net Cash Provided by Operating Activities	**₱8,702**	**₱31,630**	-72%
Net Cash Provided by (used in) Investing Activities	**(334,116)**	**373,527**	-189%
Net Cash Used in Financing Activities	**(10,832)**	**(9,497)**	-14%

As of September 30, 2020, the cash and cash equivalents of the Group has decreased by 19% due to the appreciation of Peso against US dollar. The cash in financing activities refers to movement in the lease liability.

The Group's management believes that the current level of funds and cash generated from operations are sufficient to meet the Company's immediate future cash requirements. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

Financial Ratios

	September 30, 2020	Dec 31, 2019
Financial Ratios:		
Current Ratio	**96.55**	91.57
Debt to Equity Ratio	**0.02**	0.02
Return on Equity	**-0.5%**	0.6%
EBITDA Margin	**-6.0%**	71%
Net Profit Margin	**-41.0%**	31%

FINANCIAL RISK

- **Foreign Currency risk**

  The Group has transactional currency exposure. Such exposure arises from US$ denominated service income of SWA and US$ funds of Paxys NV. As at September 30, 2020, cash and cash equivalents of the Group consist of about 70% US$.

  In view of the above, the Group's interim condensed consolidated financial performance and financial position can be affected significantly by movements in the US$/Philippine Peso exchange rates.

  The Group's primary strategy to address its forex exposures is to make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results. These hedging instruments or derivatives are not used for trading or speculative purposes. Counterparties to derivative contracts are carefully selected from major financial institutions which are assessed based on their industry standing and historical performance. As at September 30, 2020 and December 31, 2019, the Group does not have outstanding derivative instruments.

  The Group adopted the following rates of exchange in translating foreign currency statement of comprehensive income and statement of financial position as of September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Closing	Average	Closing	Average
Philippine Peso to 1 unit of :				
United States Dollar (US$)	48.50	50.64	50.64	51.57

- **Credit Risk**

  The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Since the Group trades only with recognized third parties, there is no requirement for collateral. Also the Group has an existing contract or master agreement with its key customer to protect itself from bad debt losses.

OTHER MATTERS

a. There were no known events that trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

b. There were no material commitments of the Company.

c. There were no material off-statement of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

d. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows.

e. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

f. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favourable or an unfavourable impact on net sales or revenue or income from continuing operation.

g. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

h. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

i. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Key Variable and Other Quantitative and Factors

Trends, Events, Uncertainties or Contingent Financial Obligation with Material Impact on Liquidity

The Company does not anticipate liquidity problem within the next twelve (12) months since it has adequate amount of cash to pay its maturing obligations and to support its working capital requirements.

Annex C

Paxys, Inc. and Subsidiaries
Consolidated Trade Receivables Aging Schedule
As of September 30, 2020
(Amounts in Thousands)

	Age of Receivables					
Types of customers	**<30 days**	**31-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
International	₱4,084	₱4,403	₱-	₱-	₱10,026	₱18,513
Local	274	59	7	26	-	366
	4,358	4,462	7	26	10,026	18,879
Allowance for impairment losses	-	-	-	-	(9,116)	(9,116)
	₱4,358	₱4,462	₱7	₱26	₱910	₱9,763

PAXYS

Annex E

ANNUAL STOCKHOLDERS' MEETING
December 10, 2020

P R O X Y   F O R M

Please fill up and sign the proxy and return immediately to the Corporate Secretary

The undersigned stockholder of **Paxys, Inc.** (the "**Company**") hereby appoints either of

____

(*Please print full name of your proxy. If this portion is left blank or no name is specified, the designated proxy shall be the Company's Chairman, Mr. Tarcisio M. Medalla, or in his absence, the Chairman of the meeting.*)

or the **Chairman and President, Mr. Tarcisio M. Medalla, or in his absence, the Chairman of the meeting**, as proxy, with power of substitution, to represent and vote all shares registered in the name of the undersigned, at the Annual Meeting of the Stockholders of the Company to be conducted virtually on Thursday, December 10, 2020, and at any postponement and/or adjournment thereof for the purposes of acting on the following matters:

AGENDA ITEMS	**ACTION**		
Item 1. Call to order	No action necessary.		
Item 2. Proof of notice and certification of quorum	No action necessary.		
	FOR	AGAINST	ABSTAIN
Item 3. Approval of minutes of previous stockholders' meeting			
Item 4. Management report and audited financial statements for the year ended December 31, 2019			
Item 5. Ratification of previous corporate acts			
Item 6. Election of directors *For Regular Director*:			
Tarcisio M. Medalla			
Roger Leo A. Cariño			
Lim Ghee Keong			
Christopher B. Maldia			
Roberto A. Atendido			
For Independent Director:			
George Edwin Y. SyCip			
Jose Antonio A. Lichauco			
Item 7. Appointment of external auditors			
Item 8. Other Matters	According to Proxy's Discretion		
Item 9. Adjournment			

This proxy, when properly executed, will be voted in the manner as directed by the stockholder. If no direction is made, this proxy will be voted "FOR" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting, in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

A proxy form submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the Board Resolution designating a corporate officer to execute the proxy. Forms of the Corporate Secretary's Certificate may be requested from the Investor Relations Officer at investor_relations@paxys.com.

Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder. Forms of the Certification may be requested from the Investor Relations Officer at investor_relations@paxys.com.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for the Annual Meeting of the Stockholders of the Company to be conducted virtually on Thursday, December 10, 2020, and at any postponement and/or adjournment thereof.

Signed this ___________________ (*Date*) at ______________________________ (*Place*).

______________________________	______________________________
Printed Name of Stockholder	**Signature of Stockholder or Authorized Signatory**

(Letterhead of Corporation)

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

SECRETARY'S CERTIFICATE

I ___________________, after having been duly sworn according to law, hereby depose and state that:

1. I am a Filipino citizen, of legal age, with office address at _____________.

2. I am the Corporate Secretary of___________________ **(the "Corporation")**, a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at ________________________.

3. At the **regular/special** meeting of the Board of Directors held on ___________, at which meeting a quorum was present and acting throughout, the following resolutions were unanimously passed and approved:

> "**RESOLVED**, that the Board of Directors of ______________ (the "Corporation") authorize, as it hereby authorizes **Mr./Ms.** _________________ as the Corporation's representative with authority to attend, vote, represent and/or appoint a proxy in behalf of the Corporation, for the shares held by and registered under the name of the Corporation in Paxys, Inc. at the Annual Stockholders' Meeting of Paxys, Inc. on December 10, 2020 or any adjournments thereof;
> **RESOLVED FURTHER**, that the above representative is hereby authorized to execute, sign and deliver, for and on behalf of the Corporation, the proxy form and any other document or instrument necessary or desirable to implement the foregoing resolution;
> **RESOLVED FINALLY**, that the foregoing resolutions shall remain valid and subsisting, unless otherwise revoked or amended in writing, and duly served on Paxys, Inc."

4. These board resolutions have not been revoked, amended or modified, and remain valid and binding on the Corporation as of the date hereof.

5. The foregoing statements are in accordance with the records of the Corporation.

IN WITNESS WHEREOF, the undersigned has hereunto set **his/her** hand this ___________ on __________ at ____________Philippines.

____
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____________ at __________. Affiant who is personally known to me, exhibited to me **his/her** (Gov't. Issued ID No.) ___________________ issued on _____________and his/her Community Tax Certificate No.

Doc. No. _______ ;
Page No. ________;
Book No. ________;
Series of 2020.

Annex G

PAXYS

CERTIFICATION

I, **MAYETTE H. TAPIA**, a Corporate Secretary of **PAXYS, INC.** with SEC registration number 6609, with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, on oath state:

1. That on behalf of **PAXYS, INC.** I have caused the following to be prepared:
   (a) SEC Form 17C List of Stockholders as of record date;
   (b) SEC Form 17Q (3rd Quarter of 2020); and
   (c) Definitive Information Statements.

2. That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3. That PAXYS INC. will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4. That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this NOV 0 5 2020 day of November, 2020.

MAYETTE H. TAPIA
Corporate Secretary
Philippine Passport No. [redacted]

SUBSCRIBED AND SWORN to before me in this NOV 0 5 2020 day of November 2020 at Makati City, affiant exhibited to me her Philippine Passport No. [redacted] issued by DFA [redacted] on [redacted] and valid until [redacted].

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Page No. 66;
Book No. 20
Series of 2020.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-382 UNTIL DEC 31, 2021
ROLL NO.68402
MCLE COMPLIANCE NO. VI-0021936 3-29-2019
IBP OR NO.002282- LIFETIME MEMBER- 5-8-17
PTR NO.2275859 – JAN 21, 2020- PARAÑAQUE CITY
EXECUTIVE BLDG., CENTER MAKATI AVE., COR JUPITER ST.,
MAKATI CITY

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

SECRETARY'S CERTIFICATION

I, **MAYETTE H. TAPIA**, of legal age, Filipino, with office address at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, after having been sworn in accordance with law, depose and state, that:

1. I am the duly elected and incumbent Corporate Secretary of **PAXYS, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Republic of the Philippines with office address at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

2. At the Regular Meeting of the Board of Directors of the Corporation held on 5 November 2020, the following resolutions were approved:

> "RESOLVED, that the Board of Directors of Paxys, Inc. (hereinafter, the "Company") hereby authorized, as it hereby authorized its Corporate Secretary, Atty. Mayette H. Tapia, to
>
> (a) file the Corporation's Reports indicated below with Securities and Exchange Commission and Philippine Stock Exchange:
>   i. SEC Form 17C (List of Stockholders as of record date;
>   ii. SEC Form 17Q (3rd Quarter of 2020); and
>   iii. SEC Form 20-IS Definitive Information Statements
>
> (b) to certify that the information contained therein are true and correct;
>
> (c) commit to submit the hard copies of the aforementioned reports with proper notarization with the SEC Information Communication Technology Department (ICTD), Markets and Securities Regulations Department (MSRD) and the SEC Corporate Governance and Finance Department (CGFD) within ten (10) calendar days from the date that the quarantine order has been lifted or withdrawn; and
>
> (d) to issue a certification that the hard copies submitted refer to one and the same report that the Company filed via email.
>
> "RESOLVED, FINALLY, that the Corporate Secretary be, and is hereby, authorized to issue certifications covering the foregoing resolutions adopted by the Board of Directors of the Corporation."

3. I certify that the foregoing resolutions were duly approved by the Board of Directors of the Corporation and that it is a true and correct excerpt of the minutes of the Regular Meeting held on 5 November 2020. I further certify that the foregoing resolution is still in force and effect, and has not been amended nor revoked.

IN WITNESS WHEREOF, I have hereunto set my signature on NOV 05 2020 day of November 2020 at Makati City.

MAYETTE H. TAPIA
Corporate Secretary

SUBSCRIBED AND SWORN to before me in this NOV 05 2020 day of November 2020 at Makati City, affiant exhibited to me her Philippine Passport No. [redacted] issued by DFA [redacted] on [redacted] and valid until [redacted].

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Page No. 66
Book No. 20
Series of 2020.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-382 UNTIL DEC 31,2021
ROLL NO.68402
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