C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	3	5	8	4	1		

C O M P A N Y   N A M E

FILSYN CORPORATION AND SUBSIDIARIES

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

Unit 8, 5B The Pearlbank Centre, 146 Valero St., Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRM	N/A

C O M P A N Y   I N F O R M A T I O N

Group's Email Address	Group's Telephone Number	Mobile Number
info@filsyncorp.com	8-752-3133	Not Applicable

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
516	September 26	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
Mr. Jaime Sto. Domingo	info@filsyn.com	8-752-3133	None

CONTACT PERSON's ADDRESS

Unit 8, 5B The Pearlbank Centre, 146 Valero St., Salcedo Village, 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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

FILSYN

SECURITES AND EXCHANGE COMMISSION
PICC Building, Roxas Blvd.,
Manila City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of ***Filsyn Corporation*** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2019 and 2018, including the additional components attached therein (Schedule of All the Effective Standards and Interpretations), in accordance with Philippine Financial Reporting Standards (PFRS). This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo & Co., and independent auditor, appointed by the stockholders and the Board of Directors has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders and Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

CONSOLACION A. SANCHEZ
Chairman of the Board

JAIME M. STO. DOMINGO
President

APOLINARIO L. POSIO
SVP-Accounting & Auditor
& Compliance Officer

FILSYN CORPORATION, UNIT 8 5B/F PEARLBANK CENTRE, 146 VALERO ST., SALCEDO VILLAGE MAKATI CITY, PHILIPPINES, TEL. NOS.: 752-3133, 752-3383, 752-3611, TELEFAX: 752-3323 EMAIL: info@filsyncorp.com, ZIP CODE: 1227

REPUBLIC OF THE PHILIPPINES) S.S.
MAKATI CITY

SUBSCRIBED AND SWORN to before me this 15th day of June, 2020, affiants exhibiting to me their competent evidence of identify to be the same persons, as follows:

Name	Tax Identification No.
Consolacion A. Sanchez	**106-973735**
Jaime M. Sto. Domingo	**108-772644**
Apolinario L. Posio	**108-734589**

JUN 1 0 2020
MAKATI CITY

DOC. NO. 150
PAGE NO. 31
BOOK NO. XVIII
SERIES OF 2020

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR NO. 7333104/01-03-2019 MAKATI
IBP NO 656155 LIFETIME MEMBER
APPT. NO. M104/2017/ROLL NO. 4009
MCLE COMPLIANCE NO.V-0006934
GROUND FLOOR 8747 PASEO DE
ROXAS, LEPANTO BLDG

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(a) Business Development

Filsyn was organized in 1968 as Filipinas Synthetic Fiber Corporation to promote and support the polyester fiber and yarn requirements of the country's textile industry. It was registered with the Board of Investments in 1969 with a preferred and pioneer status. It went full-scale commercial operation in November 1971.

The company changed its name to Filsyn Corporation in 1987 to reflect its wider range of activities. To date, it has investments in Island King Aquaventure Corporation, an aquaculture company, and SRTC Development Corporation, as real estate company.

In August 1989, Filsyn concluded and Investment Agreement with Far Eastern Textile Ltd. (FETL), a leading polyester manufacturer in Taiwan. The Agreement was not only limited to equity investment but also covered technical assistance, cooperation and marketing support.

The Company undertook various modernization programs and product development over the years. However, development related to domestic textile industry was not encouraging. Since the implementation of the import liberalization program of the government in 1995, the textile industry experienced excess capacity coupled with high production costs and financing costs. Filsyn suffered great financial turmoil aggravated by a labor strike in October 1996. Even after the settlement of the strike in September 1997, production has not resumed. The company's operations since then, were limited to the disposal of old inventories, machineries and equipment, as well as sale of scrap materials and parts, plus acting as sales agent for FETL and other entities in the support of textiles in the Philippines. At present the Company's sources of funds still consist mainly on proceeds from sale of old machinery, equipment and parts and warehouse rental lease income.

On December 14, 1998, Filsyn Corporation entered into an agreement with its various bank creditors and a supplier/shareholder to restructure its overdue and outstanding unsecured obligations totalling to P988 Million that included interests accrued up to April 30, 1998. Under the agreement, the company agreed to give a second mortgage over some of the properties covered by the first MTI to secure the payment of the said restructured obligations in exchange for the cessation of accrued interest after April 30, 1998. Negotiations are on-going with the MTI creditors in efforts to either finally settle the Company's debt or to have the MTI extended for a renewed term. The first alternative will see the Company paying off the loans with an amount significantly lower than the total outstanding obligation, but acceptable to all parties concerned as the final payments. Should negotiations in this direction fail, management intends to pursue its request for extension of the MTI to stave off foreclosure of the mortgage. Our MTI agreement remains in effect in the absence of formal termination notice from the creditors. It was supposed to have expired in December 2003.

On December 10, 2009, the BOD of the Parent Company approved to offer the Parent Company's property in Sta. Rosa, Laguna as dacion in payment of the entire obligation to Chinatrust, and in case of the latter's acceptance, to offer to manage the property in trust, in consideration of management fees and trustee fees, until such time as may be agreed by the parties.

On November 2, 2010, Chinatrust accepted the proposal of the Group to fully settle its outstanding loan obligation to P1.2 billion through the Sta. Rosa property as dacion in payment. Chinatrust agreed that the Company shall not be liable for any deficiency between the amount of the outstanding loan obligation and the value of the Sta. Rosa property. The parties have not yet formally executed the "Dacion En Pago" arrangement.

On October 24, 2016 , the PSE has issued a letter to the Company on the subject: *Negative Stockholders' Equity and SEC Order of Revocation* requesting for update on the following items:

- Settlement of outstanding loan obligations amounting to P1.2 billion through the Sta. Rosa property as dacion;
- Discussions/negotiations with real estate companies for potential joint venture arrangement over the property to develop the 30 hectares (ha.) property located at Sta. Rosa, Laguna;
- Discussions/negotiations regarding the sale of the property located in Gen. Malvar Alvarez, Cavite City; and
- SEC Order of Revocation dated August 26, 2002.

On December 12, 2016, the Company responded to the PSE that discussions are ongoing on the first three (3) items above with the appropriate parties. Should the ongoing discussions on the abovementioned items be not fruitful, the Group will invite an investor to join them in developing the Sta. Rosa property. Management believes that the development of the land will increase its value and bring the Group's equity from negative to positive.

At the special meeting of the board of directors and in the annual stockholders' meeting of Filsyn Corporation both held on September 21, 2017 at least a majority of the directors and stockholders of the Corporation approved a Business Plan to address the corporation's existing capital deficiency. The Business Plan consists of three (3) phases including:

1. Financial restructuring subject to SEC approval;
2. Development of a property located at Sta. Rosa, Laguna; and
3. A new business activity for recycled Polyethylene Terephthalate (PET) to be registered with the Philippine Economic Zone Authority (PEZA)

In 2002, the SEC has issued Order of Revocation of the Company's Registration of Securities and Permit to sell Securities to the public. On February 2005, the SEC acknowledged the Parent Company's full payment of the penalties for the reportorial violations.

On February 18, 2018, the Commission en Banc has resolved to lift the Order of Revocation. The lifting of the Order of Revocation directed the Company to amend its Registration Statement to reflect any prior changes prior to restatement of its registration statement and permit to sell securities.

At the special meeting of the Board of Directors and in the Annual Stockholders' meeting of Filsyn Corporation both held on September 20, 2018 at least majority of the directors and stockholders of the Corporation decided the following:

1. Approved the Amended Registration Statement and designated the officers authorized to sign the Amended Registration Statement, namely: Mr. Jaime M. Sto. Domingo, President, Mr. David Wang, Executive Vice President & Chief Finance Officer, Mr. Emmanuel C. Paras, Corporate Secretary and Mr. Apolinario L. Posio, Senior Vice President – Accounting and Auditor and Compliance Officer;

2. Authorized the filing of the Amended Registration Statement of the Company with the Securities and Exchange Commission ("SEC")

3. Approved the Amendment of Seventh Article of the Articles of Incorporation of the Company to reflect the following:

    i. Reduction of par value from PhP5.00 per share to PhP2.50 per share;

    ii. Creation of Preferred Shares with the following features:

    - ❖ Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares;

    - ❖ Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted, namely P1,318,316,337.00), cumulative dividends and right to receive profit-participating stocks

    - ❖ Veto Right - Right to veto the development of Sta. Rosa Property such that the development project of said land must be approved by Preferred shareholders;

    - ❖ Exercise of Voting Right - The Preferred Shareholders shall not have a right to vote, except on matters specified in Section 6 of the Corporation Code of the Philippines and those relative to the development of the Sta. Rosa

Property; and

- ❖ Convertible to Common Shares - Right to convert preferred shares to common Class B shares using 16.78:1 conversion ratio; and

iii. Reclassification of 33,426,498 Common (Class B) to Preferred shares

4. Approved the Conversion of Debt to Additional Paid-In Capital which will be reserved for the Conversion of Preferred shares to Common shares;

5. Authorized the filing of the Amended Articles of Incorporation of the Company and other documentary requirements with the SEC; and

6. Approved the incorporation of a wholly-owned subsidiary of the Company for its PET Recycling plant Project in a Philippine Economic Zone Authority ("PEZA") location.

There was no major business activity of the Company for the year ended December 31, 2019.

(b) Business of Issuer

Filsyn's operations evolved from purely polyester manufacturing into being involved in various activities that include trading of polyester products.

Products

The Company under normal operations sells the following products:

Products Type	End Use
Polyester Draw Textured Yarn (DTY)	**Knitting**
Air-Mingled Yarn (AMY)	**Weaving Knitting**
Staple Fiber (SF)	**Cotton/Rayon Blending**
Pre-Oriented Yarn (POY)	**Texturizing**

Polyester Fiber and yarn are sold to domestic end-users as well as to the export market. PET Bottles and Pre-form are sold in the domestic market.

Filsyn's raw material inputs are mainly imported.

Item 2. Properties

Filsyn manufacturing plant then is located on a 30-hectare in site in Sta. Rosa, Laguna. The nearby areas are being developed into prime industrial estates. Foremost among them is the Ayala-Mitsubishi project, the Laguna Techno-park. Among the companies that has located their operations in the area are Coca-Cola Far East, Toyota, Mitsushita, Fujitsu, and United Laboratories. Residential subdivisions are also being developed in the area such as Ayala's Sta. Rosa and San Jose Villages, Sta. Rosa Estate and Laguna Bel-Air.

The Company also owns a 16.3-hectare land in Gen. Mariano Alvarez (GMA), Carmona, Cavite. The area is likewise part of the proposed Cavite-Laguna-Batangas-Rizal-Quezon (CALABARZON) area, which will be developed for industrial and industrial support user. Residential subdivisions as well as golf courses such as Southwoods is adjacent to the property.

Another subsidiary, Island King Aquaventures Corporations/owns a 150 hectare real estate property in Pontevedra, Capiz.

Item 3. Legal Proceedings

As of December 31, 2019, there are no material pending legal proceedings before any court or agency to which the Corporation or any of its subsidiaries is a party, except for tax credit certificates' cases now pending with the Sandiganbayan and the Ombudsman.

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

NOT APPLICABLE

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matter

(a) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters.

(1) Market Information

FILSYN is registered with the Philippine Stock Exchange (PSE). The Exchange temporarily suspended the Company's trading of its shares in the market since there are no actual trading of its shares in the market for a long period of time.

Common shares outstanding as of December 31, 2019 is 206,246,181.

(2) Holders

The Company's total shareholders as of December 31, 2019 is 516.
The top 20 shareholders and their number of shares held are as follows:

TOP 20 SHAREHOLDERS

		No. of Shares	% of Total
1.	Trans-Pacific Oriental Holdings, Inc.	63,578,182	30.83
2.	Far Eastern Investment Holding Ltd.	45,065,670	21.85
3.	Waldorf Services, B.V.	20,512,820	9.95
4.	Chinatrust Escrow A/C # 269-4	12,913,678	6.26
5.	PCD Nominee Corporation	9,129,830	5.32
6.	Development Bank of the Phils.	10,256,409	5.00
7.	National Dev't. Company	6,814,453	3.30
8.	Equitable Banking Corporation	6,564,103	3.18
9.	Security Bank & Trust Co.	4,648,924	2.30
10.	Lepanto Consolidated Mining Co.	4,081,651	2.00
11.	PLLIM Investments, Inc.	2,894,000	1.40
12.	Pan Malayan Mgt. & Investment Corp.	2,393,658	1.20
13.	Phil. Carpet Mfg. Corp.	2,063,581	1.00
14.	Toyo Menka Kaisha Ltd.	1,844,568	.90
15.	Tomen Corporation	1,161,737	.60
16.	Abundance Providers and Entrepreneurs Corp.	1,600,807	.77
17.	Equitable Leasing Corp.	772,305	.40
18.	Equitable Dev't. Corp.	772,305	.40
19.	Laguna Estates Dev't. Corporation	626,190	.30
20.	Rexlon Industrial Corporation	589,492	.30

(2) Dividends

There was no dividend declaration during the last two (2) years.

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

This is contained in the attached Management Report.

Item 7. Financial Statements

The financial statements and schedules required are filed as part of this Form 17-A (Refer to the accompanying Index to Financial Statement and Supplementary Schedule).

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

There are no changes in and disagreements with accountant on accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

BOARD OF DIRECTORS

NAME	POSITION	NATIONALITY
DAVID WANG	Director	Chinese
CHEN YU CHENG	Director	Chinese
EVELYN LIM-FORBES	Director	Filipino
RENATO V. DIAZ	Director	Filipino
JAIME M. STO. DOMINGO	Director	Filipino
MARCELO T. DY	Director	Filipino
ALAN TSAI	Director	Chinese
AMY HUANG	Director	Chinese
MA. BELINA B. MARIANO	Director	Filipino
CONSOLACION A. SANCHEZ	Director	Filipino

CORPORATE OFFICERS

NAME	POSITION
CONSOLACION A.SANCHEZ	Chairman
JAIME M. STO. DOMINGO	President
DAVID WANG	EVP and Chief Financial Officer
REN-HOU CHIOU aka EDMONDS CHIOU	Treasurer
APOLINARIO L. POSIO	Senior Vice-President – Accounting & Auditor and Compliance Officer
EMMANUEL C. PARAS	Corporate Secretary / CIO
MA. BELINA B. MARIANO	Asst. Corporate Secretary

MR. DAVID WANG is the Chief Financial Officer of Far Eastern New Century Corporation. Mr. Wang received a Master Degree in Business Administration from Mississippi State University. He is a director and EVP & Chief Financial Officer of Filsyn Corporation, He is a director of Trans-Pacific Oriental Holdings Co., Inc. and SRTC Development Corporation.

MR. RENATO V. DIAZ is presently an independent Director of Filsyn Corporation. He is presently the Chairman and President of RVD Management Services & Holding Co., Inc. He was formerly the Executive Vice-President for Finance and Administration of Filsyn Corporation and Executive Vice-President of Island King Aquaventures Corporation up to May, 1992. He is also the former Vice-President for Finance of The Manila Peninsula Hotel, Inc., Board member of Civil Aeronautics Board. Former Undersecretary and Presidential Assistant for North Luzon and former Congressman, 1st District, Nueva Ecija.

MR. JAIME M. STO. DOMINGO is a Director and President of Filsyn Corporation. He is an MBA candidate of the Ateneo Graduate School of Business and holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

MS. CONSOLACION A. SANCHEZ is a Certified Public Accountant by profession. She graduated from the University of the East with degree of Bachelor of Science in Business Administration, Major in Accounting. She is currently a Director/Treasurer of Far Eastern International Garments, Inc. and Cemtex Apparel, Inc. She is also at present Chairperson of the Board of Filsyn Corporation.

ATTY. SAMUEL V. TORRES is the General Counsel of the Yuchengco Group Of Companies. He is at present an independent Director of Filsyn Corporation.

Mr. APOLINARIO L. POSIO is the Senior Vice President – Accounting and Auditor and Compliance Officer of Filsyn Corporation. He was formerly the Vice President – Finance & Accounting of Filsyn Corporation. He is a Certified Public Accountant by profession. He graduated from the University of Santo Tomas with a degree of Bachelor of Science in Commerce Major in Accounting. He is at present a Director and Vice Chairman of TOTALDEV Multi-Purpose Cooperative.

MR. REN-HOU CHIOU aka EDMONDS CHIOU is the Treasurer of Filsyn Corporation.

MR. ALAN TSAI is the Executive Vice President of Far Eastern New Century Corporation. Mr. Tsai received a Master's Degree in Operation Management from National Cheng Chi University in Taiwan.

MS. AMY HUANG is presently a deputy manager of Far Eastern Group's Legal Department. Ms. Huang received her double degree in Law and Business from Queensland University of Technology and was admitted as a member of Queensland Law Society in 2000. Before joining Far Eastern Group, Ms. Huang worked as a practicing lawyer in Australia.

MR. CHEN YU CHENG is a lawyer by profession, received the Executive Master of Business Administration, Degree in International Business Management from National Taiwan University, Republic of China. He is at present the General Manager of Far Eastern New Century Corporation.

MR. EMMANUEL C. PARAS is the corporate secretary of Filsyn Corporation. He obtained his Bachelor of Laws degree from the Ateneo de Manila University. He is a Legal Consultant of SyCip Salazar Hernandez & Gatmaitan Law Office.

MS. MA. BELINA B. MARIANO is presently a Director and the Assistant Corporate Secretary of Filsyn Corporation. She is a graduate of the Ateneo Law School and holds a Bachelor of Science degree Major in Mathematics and Physics from De La Salle University. She is also the President of Trans-Pacific Oriental Holding Company and Arpeggio International Resources Corporation since September 2017.

EVELYN LIM-FORBES, is currently the Executive Vice President & General Manager of Capital Storage Facilities Corporation; Vice President of PLLIM Insurance Agency and Investments, Inc.; Treasurer of DI Securities Services, Inc.; Director of Lipave Management Corporation. She attended Asian Institute of Management (1974-1976); Georgetown University Management (1972-1974); New York University (Summer 1970); Bennet College Millbrook, New York (1968-1970); Assumption Convent, SLV (1956-1968).

There are no family relationships among the directors and executive officers of the Corporation.

The business experiences stated therein for each of the directors and officers were for the last five (5) years or so.

Item 10. Executive Compensation

(1) Executives

Gross compensation to Executives is as follows:

(In Million Pesos)	
2017	3.0
2018	3.0
2019	3.0

(2) Directors

Monthly director's per diem is P2,000 per director. Directors' bonus may be declared during years when the Company reflects an income.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Ownership as of December 31, 2019.

Title of Class	Name & Address Record/Beneficial	Amount & Nature of Record/Beneficial Ownership	Percent of Class	No. of Shares
Common	Trans-Pacific Oriental Holding Co., Inc.	P317,890,910	30.83%	63,578,182
Common	Far Eastern Investment Holding, Limited	P225,328,350	21.85%	45,065,670
Common	Waldorf Services, B.V.	P102,564,100	9 .94%	20,512,820

The registrant has no parent company which holds at least 51% of the total outstanding capital.

- Trans-Pacific Oriental Holding Co., Inc., Far Eastern Investment Holding, Limited and Waldorf Services, B.V. are the record and beneficial owners of their respective shares of stock.

The person who have the right to vote is David Wang for Far Eastern Investment Holding Limited and Waldorf Services, B.V. and Atty. Ma. Belina B. Mariano for Trans-Pacific Oriental Holding Co., Inc.

2. Security Ownership of Management as of December 31, 2019

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class	No. of Shares
Common	Evelyn Lim-Forbes	P 566,165	0.05%	113,233
Common	Chen Yu Cheng	P 250,000	0.02%	50,000
Common	Renato V. Diaz	P 9,376	-	9,376
Common	Jaime Sto. Domingo	P 5,200	-	1,040

The directors and executive officers as a group hold 0.07% of the total outstanding capital.

Item 12. Certain Relationships and Related Transactions

When FILSYN was still in normal manufacturing operations, the Company has an agreement with two foreign suppliers who are Company stockholders for the supply of the company's raw material requirements at prices to be determined at each calendar quarter by mutual agreement.

PART IV - EXHIBITS AND SCHEDULES

Item 13. Corporate Governance Report

Please refer to attached Annual Corporate Governance Report (ACGR**)**

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The following exhibit is filed as a separate section of this report:

- Subsidiaries of the registrant
- The other exhibits, as indicated in the Index to Exhibits are either not Applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

Reports on Form 17-C (Current Report) have been filed during the last quarter of 2019.

MANAGEMENT DISCUSSION & ANALYSIS OF OPERATION

Filsyn Corporation continued to generate income mainly from warehouse rentals and sale of equipment which was sufficient to cover all expenses, hence, there was no need for any outside financing to sustain its operations.

The Company's losses for the last three (3) years were due to non-commercial operations. The Company has no plan yet to resume commercial operations. In view of the non-commercial operation of the Company for the last three (3) years, there were no material key variable and other qualitative and quantitative factors nor performance indicators nor any major risks to consider .

There can be no comparable discussions to assess material changes during the last three (3) years because of the non-commercial operation of the Company.

There were no events during the last three (3) years that will trigger direct or contingent financial obligation that was material to the Company. There were for the last three (3) years no material, off-balance sheet, transactions, arrangements, obligations (including contingent obligations) nor any other relationships with unconsolidated entities or other persons. There were no material commitments for capital expenditures.

The Company can satisfy its cash requirement for the next 12 months. The Company will not raise additional funds in the next 12 months.

The Company has no product research and developments for the term of the plan.

The Company will not purchase any plant or equipment within the next 12 months.

The Company does not expect any significant changes in the number of employees.

There are no seasonal aspects that have material effect to the financial statements.

The main concern of the Company up to now is how to settle the debt issue.

On December 10, 2009, the BOD of the Company approved to offer the property in Sta. Rosa, Laguna as dacion in payment of the entire obligation to Chinatrust, and in case of the latter's acceptance, to offer to manage the property in trust, in consideration of management fees and trustee fees, until such time as may be agreed by the parties.

On November 2, 2010, Chinatrust accepted the proposal of the Company to fully settle its outstanding loan obligation amounting to P1.2 billion through the Sta. Rosa property as dacion in payment. Chinatrust agreed that the Group shall not be liable for any deficiency between the amount of the outstanding loan obligation and the value of the Sta. Rosa property.

The "Dacion En Pago" did not materialize and the ownership of the loan was transferred to Chuan Yuan Limited, a Company incorporated in Taiwan. Chuang Yuan Limited became the creditor of the first and second MTI. Chuang Yuan Limited later sold the loan to Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments), a Company incorporated in Singapore, a related party.

On October 24, 2016, the PSE has issued a letter to the Company on the subject: *Negative Stockholders' Equity and SEC Order of Revocation* requesting for update on the following items:

- Settlement of outstanding loan obligations amounting to P1.2 billion through the Sta. Rosa property as dacion;
- Discussions/negotiations with real estate companies for potential joint venture arrangement over the property to develop the 30 hectares (ha.) property located at Sta. Rosa, Laguna;
- Discussions/negotiations regarding the sale of the property located in Gen,Malvar Alvarez, Cavite City; and
- SEC Order of Revocation dated August 26, 2002.

On December 12, 2016 the Company responded to the PSE that discussions are ongoing on the first three (3) items above with the appropriate parties. Should the ongoing discussions on the abovementioned items be not fruitful, the Group will invite an investor to join them in developing the Sta. Rosa Property. Management believes that the development of the land will increase its value and bring the Group's equity from negative to positive.

At the special meeting of the board of directors and in the annual stockholders' meeting of Filsyn Corporation both held on September 21, 2017, at least a majority of the directors and stockholders of the Corporation approved a Business Plan to address the corporation's extisting capital deficiency. The Business Plan consists of three (3) phases including:

1. Financial restructuring subject to SEC approval;
2. Development of a property located at Sta. Rosa, Laguna; and
3. A new business activity for recycled Polyethylene Terephthalate (PET) to be registered with the Philippine Economic Zone Authority (PEZA)

In 2002, the SEC has issued Order of Revocation of the Company's Registration of Securities and Permit to Sell Securities to the public. On February 2005, the SEC acknowledged the Parent Company's full payment of the penalties for the reportorial violations.

On February 18, 2018, the Commission en Banc has resolved to lift the Order of Revocation. The lifting of the Order of Revocation directed the Company to amend its Registration Statement to reflect any prior changes prior to restatement of its registration statement and permit to sell securities.

At the special meeting of the Board of Directors and in the Annual Stockholders' meeting of Filsyn Corporation both held on September 20, 2018 at least majority of the directors and stockholders of the Corporation decided the following:

1. Approved the Amended Registration Statement and designated the officers authorized to sign the Amended Registration Statement, namely: Mr. Jaime M. Sto. Domingo, President, Mr. David Wang, Executive Vice President & Chief Finance Officer, Mr. Emmanuel C. Paras, Corporate Secretary and Mr. Apolinario L. Posio, Senior Vice-President-Accounting and Auditor and Compliance Officer;

2. Authorized the filing of the Amended Registration Statement of the Company with the Securities and Exchange Commission ("SEC")

3. Approved the Amendment of Seventh Article of the Articles of Incorporation of the Company to reflect the following;

   i. Reduction of par value from PhP5.00 per share to PhP2.5 per share;

   ii. Creation of Preferred Shares with the following features:

      - Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares;
      - Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted, namely P1,318,316,337.00), cumulative dividends and right to receive profit-participating stocks;
      - Veto Right – Right to veto the development of Sta. Rosa Property such that the development project of said land must be approved by Preferred shareholders;
      - Exercise of Voting Right – The Preferred Shareholders shall not have a right to vote, except on matters specified in Section 6 of the Corporate Code of the Philippines and those relative to the development of the Sta. Rosa Property; and
      - Convertible to Common Shares – Right to convert preferred shares to common Class B shares using 16.78:1 conversion ratio; and

   iii. Reclassification of 33,426,498 Common (Class B) to Preferred shares

4. Approved the Conversion of Debt to Additional Paid-In Capital which will be reserved for the Conversion of Preferred shares to Common shares;

5. Authorized the filing of the Amended Articles of Incorporation of the Company and other documentary requirements with the SEC; and

6. Approved the incorporation of a wholly-owned subsidiary of the Company for its PET Recycling plant project in a Philippine Economic Zone Authority ("PEZA") location.

   The Company received from SEC, Certificate of Incorporation of FYN Green PET Corporation, a wholly-owned subsidiary dated June 6, 2019. This is for the Company's PET Recycling Plant Project.

A. FINANCIAL DATA

	Dec. 2019	Dec. 2018
	(In Million Pesos)	
• Balance Sheet		
Total Assets	P 998	993
Total Current Liabilities (incl. MTI loans)	1,561	1,550
Deficit	1,862	1,790
P & L		
• Revenues	P 39.5	P 33.3
Operating Exp.	30.1	23.9
Net Loss	8.1	19.5

B. FINANCIAL ANALYSIS

- Assets (P 998Million) - There is no major variance of assets as of the end of December 31, 2019 compared to year 2018.
- Total current liabilities - The net increase is mainly due to accrued interest on MTI loans and foreign exchange differential.
- Cash Flow - The company's sources of funds consist mainly of warehouse rental lease income. These were utilized to finance our regular operating and administrative expenses.

The financial statements have been prepared in conformity with generally accepted accounting principles. Management maintains system of accounting and reporting which provides for the necessary internal controls. There were no significant deficiencies and weaknesses on internal control and fraud committed by employees. There were no changes in estimates without proper disclosure which have the impact of improving results of operations and non-application or misapplication of accounting principles and standards, misstatements and omissions. There were no advances from Directors, officers, employees and principal stockholders and related parties of the company or its related parties for the year ended December 31, 2019.

Independent external auditors, Sycip, Gorres, Velayo & Co. were appointed by the Stockholders.

SIGNATURES

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

APOLINARIO L. POSIO
SVP-Accounting and Auditor
and Compliance Officer

MAKATI CITY JUN 23 2020

SUBSCRIBED AND SWORN to before me this ______________________ affiants exhibiting to me his Community Tax Certificate / Passport as follows:

Name	Passport No.	Date of Issue	Place of Issue
Apolinario L. Posio	P1628847A	January 14, 2017	DFA - Manila

Doc. No. 467
Page No. 97
Book No. XX
Series of 2020

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR NO. 7335104/01-03-2019 MAKATI
IBP NO 656155 LIFETIME MEMBER
APPT. NO. M104/2017/ROLL NO. 40091
MCLE COMPLIANCE NO V-0006934
GROUND FLOOR 8747 PASEO DE ROXAS, LEPANTO BLDG.

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SyCip Gorres Velayo & Co.
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1226 Makati City
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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
FILSYN Corporation
Unit 8, 5B The Pearlbank Centre, 146 Valero St.
Salcedo Village, Makati City

Opinion

We have audited the consolidated financial statements of FILSYN Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and consolidated statements of comprehensive income, consolidated statements of changes in capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 our 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Parent Company's Registration of Securities and Permit to Sell Securities to the public has been revoked in 2002. In addition, the Group incurred net loss of ₱8.1 million and ₱19.5 million as at December 31, 2019 and 2018, respectively, resulting in capital deficiency of ₱705.9 million and ₱636.2 million as at December 31, 2019 and 2018, respectively. Also, the Group's current liabilities exceeded its current assets by ₱1,506.9 million and ₱1,499.8 million as at December 31, 2019 and 2018, respectively. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's 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 auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

Auditor's Responsibilities 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125246, January 7, 2020, Makati City

June 30, 2020

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱51,802,612**	₱38,851,557
Prepayments and other current assets - net (Note 6)	**2,506,120**	11,309,356
Total Current Assets	**54,308,732**	50,160,913
Noncurrent Assets		
Investments in associates - net (Note 7)	**1**	1
Investment properties - at deemed cost (Note 8)	**918,167,147**	918,167,147
Retirement plan assets (Note 18)	**25,698,270**	23,961,361
Other noncurrent assets - net (Note 6)	**–**	915,215
Total Noncurrent Assets	**943,865,418**	943,043,724
TOTAL ASSETS	**₱998,174,150**	₱993,204,637
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts and other payables (Note 9)	**₱475,505,139**	₱460,247,602
Restructured loans (Notes 10 and 17)	**930,132,682**	930,132,682
Loans payable to a stockholder (Note 17)	**151,920,000**	157,740,000
Dividends payable (Note 11)	**156,087**	156,087
Income tax payable	**3,484,403**	1,647,958
Total Current Liabilities	**1,561,198,311**	1,549,924,329
Noncurrent Liabilities		
Deferred tax liabilities (Note 16)	**142,891,644**	79,444,842
Total Liabilities	**1,704,089,955**	1,629,369,171
Capital Deficiency Attributable to Equity Holders of the Parent		
Capital stock (Note 11)	**1,031,230,905**	1,031,230,905
Additional paid-in capital	**143,589,745**	143,589,745
Remeasurement loss on retirement plan assets – net	**(2,264,888)**	(5,057,116)
Deficit (Note 1)	**(1,862,094,293)**	(1,789,567,532)
	(689,538,531)	(619,803,998)
Non-controlling Interests (Note 19)	**(16,377,274)**	(16,360,536)
Total Capital Deficiency (Note 1)	**(705,915,805)**	(636,164,534)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱998,174,150**	₱993,204,637

See accompanying Notes to Consolidated Financial Statements.

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Rental income (Notes 8 and 12)	**₱39,504,490**	₱33,321,256	₱27,936,628
COSTS AND OPERATING EXPENSES (Note 13)	**(30,092,920)**	(23,902,279)	(21,789,963)
OTHER INCOME (EXPENSES) – net			
Financial charges - net (Note 14)	**(18,591,053)**	(18,532,200)	(18,550,698)
Other income (expense) - net (Note 15)	**6,252,603**	(7,108,068)	1,127,543
	(12,338,450)	(25,640,268)	(17,423,155)
INCOME (LOSS) BEFORE INCOME TAX	**(2,926,880)**	(16,221,291)	(11,276,490)
PROVISION FOR INCOME TAX (Note 16)	**5,173,755**	3,246,034	1,267,103
NET LOSS	**(₱8,100,635)**	(₱19,467,325)	(₱12,543,593)
Net loss (income) attributable to:			
Equity holders of the parent	**₱8,083,897**	₱19,476,233	₱12,541,102
Non-controlling interest (Note 19)	**16,738**	(8,908)	2,491
	₱8,100,635	₱19,467,325	₱12,543,593
OTHER COMPREHENSIVE (INCOME) LOSS			
Other comprehensive loss (income) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (gain) loss on retirement plan assets	**(₱1,821,561)**	₱961,007	₱567,538
Income tax effect	**546,468**	–	(170,261)
Other comprehensive loss closed to retained earnings:			
Deferred tax on investment property (Note 16)	**64,442,864**	–	–
Other comprehensive loss (income), net of tax	**63,167,771**	961,007	397,277
TOTAL COMPREHENSIVE LOSS, NET OF TAX	**₱71,268,406**	₱20,428,332	₱12,940,870
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱71,251,668**	₱20,437,240	₱12,938,379
Non-controlling interest (Note 19)	**16,738**	(8,908)	2,491
	₱71,268,406	₱20,428,332	₱12,940,870
LOSS PER SHARE			
Basic and diluted, for net loss attributable to equity holders of the parent	**₱0.04**	₱0.09	₱0.06
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 11)	**206,246,181**	206,246,181	206,246,181

See accompanying Notes to Consolidated Financial Statements.

FILSYN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Equity attributable to equity holders of the parent						
	Capital Stock (Note 11)	Additional Paid-in Capital	Remeasurement Gain (Loss) on Retirement Plan Assets	Deficit (Note 1)	Total	Non-controlling Interest (Note 19)	Total Capital Deficiency
Balances at January 1, 2017	₱1,031,230,905	₱143,589,745	(₱2,469,999)	(₱1,757,550,197)	(₱585,199,546)	(₱16,366,953)	(₱601,566,499)
Net loss	–	–	–	(12,541,102)	(12,541,102)	(2,491)	(12,543,593)
Remeasurement income (loss) on retirement plan assets, net of tax	–	–	(397,277)	–	(397,277)	–	(397,277)
Total comprehensive income (loss)	–	–	(397,277)	(12,541,102)	(12,938,379)	(2,491)	(12,940,870)
Balances at December 31, 2017	1,031,230,905	143,589,745	(2,867,276)	(1,770,091,299)	(598,137,925)	(16,369,444)	(614,507,369)
Net loss	–	–	–	(19,476,233)	(19,476,233)	8,908	(19,467,325)
Remeasurement gain (loss) on retirement plan assets, net of tax	–	–	(2,189,840)	–	(2,189,840)	–	(2,189,840)
Total comprehensive income (loss)	–	–	(2,189,840)	(19,476,233)	(21,666,073)	8,908	(21,657,165)
Balances at December 31, 2018	1,031,230,905	143,589,745	(5,057,116)	(1,789,567,532)	(619,803,998)	(16,360,536)	(636,164,534)
Net loss	–	–	–	(8,083,897)	(8,083,897)	(16,738)	(8,100,635)
Remeasurement gain (loss) on retirement plan assets, net of tax	–	–	2,792,228	–	2,792,228	–	2,792,228
Deferred tax on investment property (see Note 16)	–	–	–	(64,442,864)	(64,442,864)	–	(64,442,864)
Total comprehensive loss	–	–	2,792,228	(72,526,761)	(69,734,533)	(16,738)	(69,751,271)
Balances at December 31, 2019	₱1,031,230,905	₱143,589,745	(₱2,264,888)	(₱1,862,094,293)	(₱689,538,531)	(₱16,377,274)	(₱705,915,805)

See accompanying Notes to Consolidated Financial Statements.

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱2,926,880)**	(₱16,221,291)	(₱11,276,490)
Adjustments for:			
Interest expense (Notes 10 and 14)	**18,731,973**	18,731,973	18,731,973
Impairment losses on prepayments and other current and noncurrent assets (Note 6)	**7,438,848**	23,361	43,582
Foreign exchange (gains) losses – net (Note 15)	**(5,807,198)**	7,932,348	623,564
Movement in retirement plan assets (Note 18)	**84,652**	(698,330)	(456,920)
Interest income (Notes 5 and 14)	**(140,920)**	(199,773)	(181,275)
Operating income before working capital changes	**17,380,475**	9,568,288	7,484,434
Decrease (increase) in prepayments and other current and noncurrent assets	**564,856**	(2,505,319)	(75,948)
Increase (decrease) in accounts and other payables	**(2,524,436)**	(936,610)	815,015
Net cash generated from operations	**15,420,895**	6,126,359	8,223,501
Interest received	**140,920**	199,773	181,275
Interest paid	**(950,000)**	(1,000,000)	(1,500,000)
Income taxes paid	**(1,647,958)**	(30,373)	(1,109,148)
Net cash flows from operating activities	**12,963,857**	5,295,759	5,795,628
NET INCREASE IN CASH AND CASH EQUIVALENTS	**12,963,857**	5,295,759	5,795,628
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(12,802)**	17,652	6,435
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**38,851,557**	33,538,146	27,736,083
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱51,802,612**	₱38,851,557	₱33,538,146

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Status of Operations and Authorization for Issuance of the Financial Statements

Corporate Information

FILSYN Corporation (the Parent Company) was incorporated and registered with Philippine Securities and Exchange Commission (SEC) on July 22, 1968 and is domiciled in the Republic of the Philippines whose shares are publicly listed with the Philippine Stock Exchange (PSE) but trading of which have been suspended. The Parent Company's primary purpose is to carry on the business of making, manufacturing, preparing, dyeing, processing, treating, finishing, and converting all kinds of fibers, filaments, and materials, whether polyester, nylon, acrylic, rayon, cotton, wool, silk, hemp, flex and jute, and to make, manufacture, produce, raise, prepare, process, purchase, or otherwise acquire, and to hold, own, use, sell at wholesale, import, export, dispose of or otherwise trade or deal in with, such fibers, filaments and materials, any and all kinds of yarns, threads, textiles, fabrics, cloth, and other goods and components spun, woven, knit or made in whole or in part of such fibers, filaments, or materials, or any of them, and all other articles, products, chemicals and substances related thereto or of a like or similar nature or which may enter into manufacture of any of the foregoing or which may be used in connection therewith.

The following are the subsidiaries of the Parent Company and were all incorporated in the Philippines:

Subsidiaries	Nature of Business	Percentage of Ownership
Island King Aquaventures Corporation (IKAC)	Leasing	77.08%
SRTC Development Corporation (SRTC)	Under liquidation	56.98%
FYN Green PET Corporation (FYN Green)	Newly incorporated; Manufacturing	100.00%

IKAC was registered with the Philippine SEC on September 15, 1986 primarily to engage in the business of aquaculture and undertake any and all related activities necessary, incidental and related thereto. The registered office address of the Company is Unit 8, 5B The Pearlbank Centre, 146 Valero St., Salcedo Village, Makati City.

SRTC was registered with the Philippine SEC on April 30, 1992 primarily to acquire by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease and hold for investment or otherwise, real estate of all kinds, and to improve, manage or otherwise dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances. The registered office address of the Company is Unit 8, 5B Floor, Pearl Bank Centre, 146 Valero St., Salcedo Village, Makati City.

FYN Green was registered with the Philippine SEC on June 6, 2019 primarily in recycling of waste Polyethylene Terephthalate (PET) bottles into resin to be used as feedstock for manufacture of Filament and Food Grade Chip. The registered office address of the Company is First Cavite Industrial Estate, Lot 2, Block 1, Phase 2, Langkaan II Dasmarinas City, Cavite.

The foregoing companies are collectively referred to as "the Group".

The registered office address of the Parent Company is Unit 8, 5B F loor, Pearlbank Centre, 146 Valero St., Salcedo Village, Makati City.

Status of Operations

On December 4, 1996, the BOD formally approved the cessation of the Parent Company's manufacturing operations. In 1997, the Parent Company realigned its business activities to trading of, among others, imported staple fiber, yarn, pet preform and cement following the cessation of its manufacturing operations in October 1996 due to labor problems. The trading segment, following the cessation of its operation in 2005, is now primarily focused on asset disposal programs and leasing of the segment warehouse. The articles of incorporation of the Parent Company states in its secondary purpose that the Parent Company may acquire by purchase or lease, or otherwise, land and interest inlands and buildings; to own, hold, improve, develop and manage real estate so acquired and to erect or cause to be erected buildings or other structures with their appurtenances on any lands owned, held or occupied by the Parent Company; to rebuild, enlarge, alter or improve any buildings or other structures now or hereafter erected on any lands so owned, held or occupied; to mortgage, sell, lease or otherwise dispose of any lands or interest in lands and in buildings, or in any stores, shops, suites, rooms or part of any buildings or other structures, at any time owned or held by the Parent Company.

Going Concern

The Group has incurred net loss of ₱8.1 million and ₱19.5 million as at December 31, 2019 and 2018, respectively, resulting in a capital deficiency of ₱705.9 million and ₱636.2 million as at December 31, 2019 and 2018, respectively. In addition, the Group's current liabilities exceeded its current assets by ₱1,506.9 million and ₱1,499.8 million as at December 31, 2019 and 2018, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

In 2002, the SEC has issued Order of Revocation of the Parent Company's Registration of Securities and Permit to Sell Securities to the public. In February 2005, the SEC acknowledged the Parent Company's full payment of the penalties for the reportorial violations.

Following the cessation of its operation in 2005, the trading segment of the Group is now primarily focused on leasing of its investment properties.

On October 24, 2016, the PSE has issued a letter to the Group on the subject: *Negative Stockholders' Equity and SEC Order of Revocation* requesting for update on the following items:

- Settlement of outstanding loan obligations amounting to ₱1.2 billion through the Sta. Rosa property as dacion
- Discussions/negotiations with real estate companies for potential joint venture arrangement over the property to develop the 30 hectares (ha.) property located at Sta. Rosa, Laguna
- Discussions/negotiations regarding the sale of the property located in Gen. Malvar Alvarez, Cavite City and
- SEC Order of Revocation dated August 26, 2002

On December 12, 2016, the Group responded to the PSE that discussions are ongoing on the first three items above with the appropriate parties. Management believes that the development of the land in Sta. Rosa Laguna will increase its value and bring the Group's equity from negative to positive.

In September 2017, the BOD and stockholders of the Parent Company approved a business plan, which consists of the following phases:

a. Financial restructuring subject to Philippine SEC approval
b. Development of the Sta. Rosa property and
c. A new business activity of recycling Polyethylene Terephthalate (PET) to be registered with the Philippine Economic Zone Authority

In relation to the financial restructuring, in September 2018, the BOD approved the following:

a) Amendment of the Seventh Article of the Parent Company's AOI to reflect the following:
   i. Reduction of par value from ₱5.00 per share to ₱2.50 per share
   ii. Creation of Preferred Shares with the following features:
      - Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares
      - Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted), cumulative dividends and right to receive profit-participating stocks
      - Veto Right – Right to veto the development of Sta. Rosa property such that the development project of said land must be approved by Preferred shareholders
      - Exercise of voting right – The Preferred shareholders shall not have a right to vote, except on matter specific in Section Six of the Corporation Code of the Philippines and those relative to the development of Sta. Rosa Property and
      - Convertible to Common Shares – Right to convert preferred shares to common shares using 16.78:1 conversion ratio at ₱2.50 per share
   iii. Reclassification of 33,426,498 Common Shares (Class B) to Preferred Shares
b) Conversion of debt to equity (see Note 10)

On February 18, 2018, the Commission en Banc has resolved to lift the Order of Revocation. The lifting of the Order of the Revocation directed the Parent Company to amend its Registration Statement to reflect any prior changes prior to restatement of its registration statement and permit to sell securities.

On September 20, 2018, the BOD formally authorized the filing of the Amended Registration Statement with the SEC and filed it on October 30, 2018. As of June 30, 2020, the process with the SEC is still ongoing.

The BOD also approved in September 2018 the incorporation of wholly-owned subsidiary of the Parent Company to carry out the business activity of recycling PET under the Philippine Economic Zone Authority. On June 6, 2019, the SEC issued the certificate of incorporation of FYN Green, the wholly-owned subsidiary of the Parent Company.

The Parent Company received different proposals (i.e., residential and commercial areas) from different conglomerates for the development of the investment property. These proposals are currently being studied and considered. As of June 30, 2020, the market research in support of the development plan for the Sta. Rosa property is not yet available. After receiving the market research report, the Parent Company will draft the plan for the development of the said property.

As discussed in Note 10, there were previous negotiations with the Mortgage Trust Indenture (MTI) creditor to either finally settle the Group's debt or to have the MTI extended for a renewed term. On December 10, 2009, the BOD of the Parent Company has approved to offer the Group's property in Sta. Rosa, Laguna as payment in lieu of the entire obligation to Chinatrust (Philippines) Commercial Bank Corporation (Chinatrust), and in case of the latter's acceptance, to offer to manage the property in trust, in consideration of management fees and trustee fees, until such time as may be agreed by the parties.

On November 2, 2010, Chinatrust accepted the proposal of the Group to fully settle its outstanding loan obligation amounting to ₱1.31 billion under a "Dacion En Pago" arrangement. Chinatrust agreed that the Group shall not be liable for any deficiency between the amount of the outstanding loan obligation and the value of the Sta. Rosa property. The "Dacion En Pago" did not materialize and the ownership of the loan was transferred to another creditor (see Note 10). On August 27, 2018, Chuang Yuan Limited sold the loan to Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments), a company incorporated in Singapore and a related party (see Note 17). The Group intends to convert the restructured loans and accrued interest payable to equity in the form of additional paid in capital.

As of June 30, 2020, the Parent Company is in the process of revising and collating the required financial restructuring documents for complete submission to the SEC.

In addition, the related parties, Malaysia Garments and Trans-Pacific Oriental Holding Company, Inc. (Trans-Pacific), have undertaken to support the Parent Company financially by not demanding payment of loans due to the former. Accordingly, the financial statements have been prepared on a going concern basis.

Subsidiaries

Beginning 2012, IKAC ceased its normal operations as a producer of prawns and bangus and started renting out its investment property. The articles of incorporation of IKAC states that the IKAC may purchase or lease, or otherwise, lands and interest in lands and building; to own, hold, improve, develop and manage any real estate so acquired and to erect or cause to be erected buildings or other structures with their appurtenances on any lands owned, held or occupied by the corporation; to rebuild, enlarge, alter or improve any buildings or other structures now or hereafter erected on any lands so owned, held or occupied; to mortgage, sell, lease, or otherwise dispose in any stores, shops, suites, rooms or part of any buildings, or other structures, at any time owned or held by the corporation as one of its secondary purposes.

SRTC has never started commercial operations. In April 2000, SRTC sold its primary asset, a 40 ha. property in Sta. Rosa, Laguna, to Greenfield Development Corporation. SRTC used the proceeds of the said sale to settle its bank loans, pay substantially all its other liabilities and distribute advance liquidating dividends.

On September 25, 2014, the stockholders approved the amendment of the SRTC's AOI to shorten its life until December 31, 2014. This approval has superseded the approval made in 2001.

Final liquidation will take place after approval of SRTC's liquidation application by the Philippine SEC. As at June 30, 2020, SRTC is in the process of accomplishing requirements needed for the cancellation of its registration with Bureau of Internal Revenue and Philippine SEC.

On June 6, 2019 and May 21, 2020, FYN Green, a wholly owned subsidiary of the Parent Company, was registered with the SEC and PEZA as Ecozone Enterprise, respectively. As at June 30, 2020, FYN Green has not started commercial operation and negotiation with the land-owner for the purchase of the land and building that will be used for its business activities and the process of registration with the Bureau of Internal Revenue is still ongoing.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years ended December 31, 2019, were authorized for issuance by the BOD through the Executive Committee on June 30, 2020.

2. Basis of Preparation and Consolidation, Statement of Compliance, and Changes in Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for SRTC which is based on expected value, and are presented in Philippine peso, the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest peso except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

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

Generally, there is a presumption that majority of voting rights results in control.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are deconsolidated from the date on which control ceases.

NCI
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in accordance with PFRS.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new and amended PFRSs, Philippine and Auditing Standards (PAS) and Philippine Interpretations starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the consolidated financial position or performance unless, otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

- PFRS 16, *Leases*
  PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Standards Interpretation Committee (SIC)-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, E*valuating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for leases except for short-term leases and leases of low-value assets.

During the year, the Group has an existing lease agreement as a lessee and elects to apply the short-term recognition exemption for this lease.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The Interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Group's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the financial statements.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of these new pronouncements to have significant impact on its consolidated financial statements. The Group intends to adopt the pronouncements in the next page when these become effective.

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, Definition of a Business
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

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*

3. **Summary of Significant Accounting and Financial Reporting Policies**

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in one single consolidated statements of comprehensive income.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, cash in banks and short-term investments. Cash on hand is intended for small payments not covered by checks. Cash in banks are savings and current accounts in major banks of high-quality credit standing which earn interest at respective bank rates. Short-term investments are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and that are subject to insignificant risk of changes in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of the entity and a financial liability or equity instrument of another entity.

(i) Financial Assets

Accounting policies on the classification and measurement and impairment of financial assets applied before January 1, 2018
Initial Recognition and Measurement
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As at December 31, 2017, the Group's financial assets are in the nature of loans and receivables. The Group has no financial assets at FVPL, HTM investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement
The subsequent measurement of financial assets and liabilities depends on their classification as follows:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization, if any, is included in financial charges in the consolidated statement comprehensive income. The losses arising from impairment of receivables, if any, are recognized provision for impairment losses in the consolidated statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables include cash and cash equivalents and refundable deposits.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment

exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Accounting policies on the classification and measurement and impairment of financial assets applied on or after January 1, 2018
Initial Recognition and Measurement of Financial Assets
Financial assets are measured at fair value on initial recognition and are subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses (debt instrument) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely for payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL irrespective of business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding and collect contractual cash flows.

The Group's financial assets are classified as financial assets at amortized cost. As at December 31, 2019 and 2018, the Group has no financial instruments classified as financial assets and liabilities at FVPL or FVOCI.

Subsequent Measurement of Financial Assets

For purposes of subsequent measurement, financial assets are classified as financial assets at amortized cost (debt instrument), as described below:

Financial Assets at Amortized Cost (Debt Instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- the financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

As at December 31, 2019 and 2018, the Group's financial asset at amortized cost pertains to cash and cash equivalents and refundable deposits under 'prepayments and other current assets' (see Note 5 and 6).

Derecognition of Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs 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, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. The Group recognizes an allowance based on 12-month ECLs. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

For refundable deposits under 'prepayments and other current assets', the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established 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.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
a) significant financial difficulty of the issuer or the borrower
b) a breach of contract,
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization, or
e) the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(ii) Financial Liabilities
Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities are recognized initially at fair value and, in the case of payables, net of directly attributable transactions costs.

The Group's financial liabilities are in the nature of loans and borrowings and payables. As at December 31, 2019 and 2018, the Group has no financial instruments classified as financial assets and liabilities at FVPL or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement of Financial Liabilities
The subsequent measurement of financial liabilities which pertain to loans and borrowings and payables is described below:

Loans and Borrowings and payables
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in 'Financial charges - net' in the consolidated statements of comprehensive income.

As at December 31, 2019 and 2018, the Group's loans and borrowings and payables pertain to accounts and other payables, restructured loans and loans payable to a stockholder (see Note 9, 10 and 17).

Derecognition of Financial Liabilities
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 amount is recognized in the statement of comprehensive income.

(iii) Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount are 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, which approximates the fair value of the consideration transferred to acquire the asset. This is not generally the case with netting agreements, and the related financial assets and financial liabilities are presented at gross in the consolidated statement of financial position. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- 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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in Note 22.

<u>Prepayments and Other Current Assets</u>
Prepayments and other current assets pertain to creditable withholding taxes (CWTs), prepaid expenses, input value-added tax (VAT) and other current assets. These assets are classified as current when it is probable to be realized within one year from the end of the reporting date. Otherwise, these are classified as noncurrent asset.

CWTs
CWTs are amounts withheld from income subject to expanded withholding taxes and certain tax and nontax incentives entitled to the Group under its registration with the Board of Investments. CWTs can be utilized as payments for income taxes, provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Input and Output VAT
Input VAT represents VAT passed on to the Group by its suppliers for the purchase of domestic services as required by the Philippine taxation laws and regulations.

Output VAT represents indirect taxes passed on the Group's customer resulting from sale of goods and other income, as applicable, and as required by the Philippine taxation laws and regulations.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

<u>Investments in Associates</u>
Associate is an entity over which the Group has significant influence but not control, generally accompany a shareholding of between 20% and 50% of the voting rights. Significant influence is the

power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The accounting policies of the associate conform to those used by the Group for like transactions and events in similar circumstances. The associates have a calendar year ending December 31.

Investment Properties

Investment properties are measured at deemed cost, including transaction cost. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated impairment in value.

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

The Group's investment property consists of land held to earn rentals and for capital appreciation.

Impairment of Nonfinancial Assets

Prepayments and Other Current Assets and Noncurrent Assets

Prepayments and other current assets and CWTs under 'other noncurrent assets' are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of nonfinancial prepayments and other current assets and CWTs under 'other noncurrent assets' are estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the nonfinancial prepayments and other current assets and CWTs under 'other noncurrent assets' are increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determine had no impairment loss have been recognized for the nonfinancial prepayments and other current assets in prior years. A reversal of impairment loss is recognized immediately in the consolidated statement of comprehensive income.

Investment Properties

The Group assesses at each end of the reporting date whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

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

Investments in Associates
The Group determines whether it is necessary to recognize impairment loss of the Group's investments in associates. The Group determines at each end of the reporting date whether there is any objective evidence that the investments in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying amounts and recognizes the amount in the consolidated statement of comprehensive income.

Capital Stock
The Group has issued common shares that are classified as equity.

Retained Earnings (Deficit)
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments. When the retained earnings account has a debit balance, it is called 'Deficit'. A deficit is not an asset but a deduction from equity.

OCI
OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in capital deficiency) that are not recognized in the consolidated statement of comprehensive income for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually deferred terms of payment and excluding taxes or duty.

Rental Income
Revenue from rental of leased property is recognized in the Group's consolidated statement of comprehensive income on a straight-line basis over the term of the lease agreement.

Interest Income
Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable. Revenue is recognized as the interest accrues taking into account the effective yield of the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the reporting date 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 generally recognized in the consolidated statement of comprehensive income in the period these are incurred.

Cost of Services and Operating Expenses
Cost of services consists of costs directly associated with the Group's operations. These are generally recognized when the cost is incurred.

Operating expenses consist of costs associated with the development and execution of day-to-day operations of the Group. These are generally recognized when the service is incurred or the related expense arises.

<u>Leases *(prior to adoption of PFRS 16)*</u>
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that 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; or
(d) there is a substantial change to the asset.

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

Operating Lease Commitment - 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 over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

<u>Leases (*upon adoption of PFRS 16*)</u>
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group elects to apply the short-term lease recognition exemption to lease of office space with a term of not more than one year. Lease payments on leases of short-term lease are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in consolidated statement of comprehensive income.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss); and
- In respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized in OCI or equity is recognized in OCI or equity and not in consolidated statement of comprehensive income.

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

Retirement Plan Assets

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Net amount of service costs and net interest on the net defined benefit liability or asset is recognized and included under 'Finance charges – net' in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group has a defined benefit retirement plan which requires contributions to be made to trustee-administered funds. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. All actuarial gains and losses are recognized in the OCI under remeasurement loss on retirement plan assets.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the reporting date in which the employees render the related service. Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within 12 months after the end of the reporting date from which the employees render the related service.

Foreign Currencies
The consolidated financial statements are presented in Philippine peso, which is also the Group's functional currency.

Transactions in foreign currencies are initially recorded by the Group 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 consolidated statement of comprehensive income.

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 on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized loss is recognized in other comprehensive income or profit or loss, respectively).

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and, a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

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

Basic/ Diluted Loss Per Share
Basic loss per share is computed by dividing the net income (loss) for the year, attributable to the equity holders of the Parent Company, by the weighted average number of common shares issued and outstanding during the year. The weighted average number of common shares issued and outstanding during the period and for all years presented are adjusted for events, other than the conversion of potential common shares, that have changed the number of common shares outstanding, without a corresponding change in resources.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

The Group's operating business are organized and managed separately according to the nature of the product sold, with each segment representing a strategic business unit that offers a different product. The major operating segments of the Group are as follows:

- The trading segment, following the cessation of its operation, is now primarily focused on leasing of the segment investment properties
- Others pertain to activities for subsidiary which is under liquidation and has yet to begin operations.

Events After the End of the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires the management to make judgments, estimates and assumptions that affect amounts reported of assets, liabilities and disclosures of contingent assets and liabilities at the date of financial information and the reported amounts of income and expenses during the year. The judgements, estimates and assumptions used in the financial statements are based upon management evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as these become reasonably determinable.

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

Judgments

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

Going Concern

The Group has incurred net loss of ₱8.1 million and ₱19.5 million as at December 31, 2019 and 2018, respectively, resulting in capital deficiency of ₱705.9 million and ₱636.2 million as at December 31, 2019 and 2018, respectively. In addition, the Group's current liabilities exceeded its current assets by ₱1,506.9 million and ₱1,499.8 million as at December 31, 2019 and 2018, respectively. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue its business in the foreseeable future (see Note 1).

Lease Commitments - Group as Lessor (prior and upon adoption of PFRS 16)

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income amounted to ₱39,504,490, ₱33,321,256 and ₱27,936,628 in 2019, 2018 and 2017, respectively (see Note 12a).

Classification of Investment Properties

The Group follows the guidance of PAS 40 in classifying properties as investment properties. This classification requires significant judgment. In making this judgment, the Group evaluates its intention for holding the properties. The Group determines that currently its intention for holding the properties is to earn rentals there from and for capital appreciation rather than to use these in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business despite the fact that the properties were previously used as the location of the Group's manufacturing plant prior to the cessation of the Group's manufacturing operations. Consequently, these properties were classified as investment properties.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

The key estimates and assumptions concerning future and key sources of estimation uncertainty as at the end of the reporting period, 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 in the next page.

Estimation of Allowance for Impairment Losses on Nonfinancial Prepayments and Other Current Assets and Other Noncurrent Assets
The Group recognizes for impairment losses at a level considered adequate to provide for potential losses on nonfinancial prepayments and other current assets and other noncurrent assets. The level of this allowance is based on management's evaluation of collection experience and other factors that may affect collectability. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments, estimates and assumptions made for the year.

Provision for impairment losses was recognized on the Group's prepayments and other current assets amounting to ₱29,211, ₱23,362, and ₱43,581 in 2019, 2018 and 2017, respectively (see Note 6). The carrying values of nonfinancial prepayments and other current assets amounted to ₱2,506,120 and ₱11,309,356, net of allowance for impairment losses amounting to ₱163,197 and ₱133,986 as at December 31, 2019 and 2018, respectively (see Note 6).

In 2019, the Group recognized an impairment loss on prepayments and other current assets due to write-off amounting to ₱2,499,872.

Provision for impairment losses was recognized on the Group's other noncurrent assets amounting to ₱4,909,765 in 2019 and nil in 2018 and 2017, respectively. The carrying values of other noncurrent assets amounted to nil and ₱915,125, net of allowance for impairment losses of ₱58,353,860 and ₱53,444,095 as at December 31, 2019 and 2018, respectively (see Note 6).

Estimation of Impairment Losses on Investments in Associates
The Group assesses whether there are any indicators of impairment for investments in associates at each reporting date. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

No provision for impairment losses on investments in associates were recognized in 2019, 2018 and 2017. The carrying values of investments in associates amounted to ₱1, net of allowance for impairment losses of ₱2,267,500 as at December 31, 2019 and 2018, respectively (see Note 7).

Estimation of Impairment Losses on Investment Properties
The Group assesses impairment on investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:
- significant underperformance relative to expected historical or projected future operating results
- significant changes in the manner of use of the acquired assets or the strategy for overall business and
- significant negative industry or economic trends

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

The carrying values of investment properties amounted to ₱918,167,147 as at December 31, 2019 and 2018 (see Note 8).

Determination of Retirement Plan Assets
The determination of the Group's assets and fair value for retirement plan assets is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for retirement plan assets are described in Note 18 and include among others, discount rates, expected return on plan assets, and future ratio of compensation increase. In accordance with PFRS, actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience on changes in assumptions may materially affect the Group's retirement costs and liability.

Retirement plan assets amounted to ₱25,698,270 and ₱23,961,361 as at December 31, 2019 and 2018, respectively. Retirement benefit expense amounted to ₱84,652 and retirement benefit income amounted to ₱698,330 and ₱456,920 in 2019, 2018 and 2017, respectively (see Note 18).

Assessment of Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred taxes at each end of the reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies.

Temporary differences and net operating loss carry-over (NOLCO) in which no deferred tax assets were recognized as the management has assessed that it is not probable that sufficient taxable income will be available for which the benefit of the deferred tax assets can be utilized amounted to ₱93,214,430 and ₱105,153,669 as at December 31, 2019 and 2018, respectively (see Note 16).

Determination of Amount of Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceeding (see Note 24).

5. Cash and Cash Equivalents

	2019	2018
Cash on hand	**₱37,082**	₱37,082
Cash in banks	**49,626,020**	17,330,149
Short-term investments	**2,139,510**	21,484,326
	₱51,802,612	₱38,851,557

Interest income earned from cash in banks and short-term investments amounted to ₱140,920, ₱199,773 and ₱181,275 in 2019, 2018 and 2017, respectively (see Note 14).

The Group has United States Dollar (US$)-denominated cash in bank amounting to US$6,663 and US$6,662 as at December 31, 2019 and 2018, respectively (see Note 21).

6. Prepayments and Other Current Assets and Other Noncurrent Assets – net

Details of prepayments and other current assets are as follows:

	2019	2018
CWTs – current	**₱–**	₱4,909,765
Prepaid expenses	**–**	3,172,467
Input VAT	**269,186**	1,809,689
Refundable deposits	**826,165**	–
Advances to officers and employees	**744,079**	625,620
Others	**829,887**	925,801
	2,669,317	11,443,342
Less allowance for impairment losses	**163,197**	133,986
	₱2,506,120	₱11,309,356

Prepaid expenses pertain to prepaid taxes and licenses and prepaid rent.

Input VAT pertains to the VAT on domestic purchases of the Group.

Refundable deposits pertain to the amount of miscellaneous deposits related to rent such as office and parking spaces.

Advances to officers and employees pertain to noninterest-bearing cash advances which are subject to liquidation.

Others pertain to receivables from various sources.

Movements in allowance for impairment losses on prepayments and other current assets are as follows:

	2019	2018
Beginning balances	**₱133,986**	₱110,624
Provision for impairment loss	**29,211**	23,362
	₱163,197	₱133,986

In 2019, the Group recognized an impairment loss on prepayments and other current assets due to write-off amounting to ₱2,499,872.

As at December 31, 2019 and 2018, details of other noncurrent assets are as follows:

	2019	2018
CWTs	**₱58,353,860**	₱53,444,095
Refundable deposits	**–**	826,165
Others	**–**	89,050
	58,353,860	54,359,310
Less allowance for impairment losses on CWTs	**58,353,860**	53,444,095
	₱–	₱915,215

Noncurrent portion of CWTs pertains to the amount of tax credits which are not expected to be recovered within 12 months.

Movements in allowance for impairment losses on CWTs – noncurrent are as follows:

	2019	2018
Beginning balances	**₱53,444,095**	₱53,444,095
Provision for impairment loss	**4,909,765**	–
	₱58,353,860	₱53,444,095

Provision for impairment losses on CWTs pertains to the unclaimed portion of the total CWTs that can no longer be claimed.

7. **Investments in Associates** - net

Investment in associates amounted to ₱1, net of allowance for impairment losses amounting to ₱2,267,500 as at December 31, 2019 and 2018. An allowance for impairment losses on investments in associates was provided because these associates have negative net worth and have suspended their operations. Associates of the Group are Filsyn International Corporation, Lakeview Industrial Corporation and Lefilton Trading.

8. **Investment Properties -** at deemed cost

a. The Group carries its land located in Pontevedra, Capiz which pertains to the property of IKAC, with a total land area of 137.87 hectares (ha), at deemed cost amounting to ₱19.51 million as at December 31, 2019 and 2018. The actual cost of the land amounted to ₱9.08 million.

   In 2014, the Group started to lease out the land to third parties on a short term basis. Accordingly, the Group reclassified the land from property and equipment to investment properties. In adopting the cost model, the Group applied the revalued amount of the property as deemed cost.

   The fair value of the investment property has been determined based on the valuations performed by Asian Appraisal dated December 31, 2019. Asian Appraisal is an industry specialist in valuing this type of investment property. Based on the appraisal reports, the appraised values of the Group's land amounted to ₱45.23 million.

   The hierarchy in which the fair value measurement in its entirety is recognized is at Level 2. The property is utilized at its highest and best use. The method used to determine the value of such property is the Market Approach for Land.

   Deemed cost and fair value of parcels of lands as of December 31, 2019 are as follows:

Location	Deemed Cost	Fair Value
Fishponds in Site 1, 2 and 3 (107.6131 ha. with a fair value of ₱350,000 per hectare)	₱17,392,000	₱37,664,000
Coconut land in Site 1 (22.26 ha. with a fair value of ₱250,000 per hectare)	1,558,000	5,565,000
Mangrove in Site 1 (8 ha. with a fair value of ₱250,000 per hectare)	560,000	2,000,000
	₱19,510,000	₱45,229,000

The Group has assessed that the highest and best use for its land in Pontevedra, Capiz is for mixed use of agro-industrial and agricultural purposes such as but not limited to a combination of prawn farm, cultivation of coconut and other fruit bearing trees (for non-submerged areas) and mangroves (for submerged areas), which is the existing land use of the property.

As at December 31, 2019 and 2018, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱7,299,287 net of tax which arose when the Group transitioned to PFRS in 2005.

b. The Group also owns a parcel of land located in Sta. Rosa, Laguna with a total land area of 300,018 square meters (sq. m.). This investment property is mortgaged in connection with the MTI discussed in Note 10.

In addition, the Group owns a parcel of land located in Gen. Mariano Alvarez, Cavite with a total land area of 162,716 sq. m.

These parcels of land were previously used as the location of the Group's manufacturing plant. However, due to the Group's cessation of its manufacturing operations as discussed in Note 1, the Group currently holds the land as investment properties.

In adopting the cost model, the Group applied the revalued amount of these properties as deemed cost upon adoption of PFRS in 2005. The original acquisition cost of the said properties amounted to ₱14.87 million. As at December 31, 2019 and 2018, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱681.71 million which arose when the Group transitioned to PFRS in 2005.

The fair values of the investment properties have been determined based on the valuations performed by Asian Appraisal dated December 31, 2019. Asian Appraisal is an industry specialist in valuing these types of investment properties.

The investment properties are categorized under the Level 2 of the fair value hierarchy and the valuation method used was Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. This approach requires establishing a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Details of the deemed cost and fair value of parcels of lands as of December 31, 2019 are as follows:

Location	Deemed Cost	Fair Value	Observable Input	Total Land Area	Estimated Fair Value per sq. m.
Sta. Rosa	₱750,045,000	₱1,980,119,000	Price per square meter	300,018 sq. m.	₱5,000 per sq. m.
Gen. Mariano Alvarez	148,612,147	423,062,000	Price per square meter	162,716 sq. m.	₱1,500 per sq. m.
	₱898,657,147	₱2,403,181,000			

The Group has assessed that the highest and best use for its land in Sta. Rosa, Laguna is for light industrial development since it would be too large for a commercial development and a residential subdivision development will not yield a maximum return. The Group assessed that the highest and best use of the idle investment property in Gen. Mariano Alvarez is to develop the land into a self-contained residential subdivision project offering mainly and in combination of vacant residential house and lots and house and lot package complemented with some commercial and institutional usage. For strategic purposes, the property is not being used in this manner.

Consolidated rental income earned on the investment properties amounted to ₱39,504,490, ₱33,321,256 and ₱27,936,628 in 2019, 2018 and 2017, respectively (see Note 12a and Note12b). Direct operating expenses, which are composed mainly of real property taxes and repairs and maintenance, amounted to ₱5,287,546, ₱5,234,685 and ₱4,096,246 in 2019, 2018 and 2017, respectively.

Real property taxes paid on the properties amounted to ₱4,777,263, ₱4,751,531 and ₱4,032,922 in 2019, 2018 and 2017, respectively.

9. Accounts and Other Payables

	2019	2018
Accounts payable	**₱3,160,493**	₱3,675,014
Accrued interest (see Notes 10, 14 and 17)	**441,497,182**	423,147,593
Accrued expenses	**8,657,264**	8,635,421
Nontrade payables	**16,926,791**	16,926,791
Refundable customers' deposits	**3,764,277**	2,018,906
Government payables	**408,577**	3,807,845
Others	**1,090,555**	2,036,032
	₱475,505,139	₱460,247,602

Accounts payable represent obligations of the Group which are generally non-interest bearing and are settled on 30 to 90 days' terms.

Accrued interest pertains to interest payable of the Group from its outstanding loans and are payable on demand. Accrued interest on the above loans amounted to ₱441,497,182 and ₱424,299,510 as at December 31, 2019 and 2018, respectively, out of which interest amounting to ₱388,183,656 will form part of the restructured loans subject to financial restructuring.

Accrued expenses pertain to accruals made for expenses incurred but billings are not yet received. These are normally settled within 12 months from the end of the financial reporting period.

Nontrade payables pertain to payables of the Group from various sources.

Refundable customers' deposits pertain to rental deposits from the lessees to the Group which will be refunded upon expiration of the lease term.

Government payables include obligations to the government for income tax due and various taxes.

Others include customers' rental and security deposits which are normally settled within 12 months.

10. Restructured Loans

As at December 31, 2019 and 2018, debts secured by first and second MTI amounted to ₱155,684,615 and ₱774,448,067, respectively, totaling to ₱930,132,682.

The Group's debts which are secured by a first MTI dated October 29, 1982 bear fixed interest rate of 12.03% per annum and covering substantially all of the Group's investment properties situated in Sta. Rosa, Laguna (see Note 8). These are payable in accordance with the terms of the second MTI as discussed in the succeeding paragraphs. In recognition of the financial condition of the Group, the creditors agreed to stop the accruing of interest on the second MTI. The first MTI, however, shall continue to earn interest.

On December 14, 1998, the Group entered into an Agreement with its bank creditors and a supplier (collectively known as "creditors") wherein the Group agreed to execute a second MTI to secure the payment of its overdue and outstanding drafts and acceptances payable, liabilities under trust receipts and loans (reclassified to debts secured by second MTI) to avoid impending litigations and in consideration of the creditors agreeing to cease accruing interest on those debts after April 30, 1998. The second MTI covers some of the properties included in the first MTI and certain investment properties.

The Agreement provides that the creditors have the option to sell the Group's land in Sta. Rosa, Laguna in a private sale (without the need of prior consent of the Group but with the prior consent of the first mortgagees) within three years from the date of the Agreement at a price not less than the amount indicated in the Agreement. The Agreement further provides that during its effectivity, the first mortgagees shall continue to enjoy their right to foreclose the said properties. The proceeds of the private sale or foreclosure shall first be applied to the payment of debts secured by the first MTI and thereafter to the payment of debts secured by the second MTI. The Group shall be liable for any deficiency in the event that the debts are not fully paid after the private sale or foreclosure of the properties. Should the private sale not take place within the stipulated three-year period, the creditors and the Group shall appoint an independent appraiser to determine the price at which the land may be sold.

The Agreement also provides that the Group assigns in favor of the creditors its shares of stock of SRTC as an additional security for the payment of the debts secured by the second MTI.

The first and second MTI provide, among other things, that the Group shall:

a. at all times maintain the sound value of the collateral at a level at least equal to the aggregate of the specified collateral values for the various loan accounts
b. not make any alterations upon, sell, assign, transfer, encumber or otherwise dispose of any collateral without the prior consent in writing of the trustee acting upon the written direction of the majority creditors and
c. at all times keep the collateral in good condition

The Agreements covering the debts secured by the first and second MTI contain, among others, some or all of the following restrictions: payment of cash dividends, incurrence of any major expenditures, incurrence of additional indebtedness or obligations, acquisition by the Group of its own capital stock and merger or consolidation with any corporation.

The Agreement was extended for an additional period of two years until January 2004. In August 2004, Chinatrust took over the trusteeship on the first and second MTI from Hong Kong Shanghai Bank Corporation which is one of the creditor banks. Also, in 2004, Chinatrust has assumed the participation of the other creditors of the first and second MTI and became the sole holder of the mortgage participation contracts.

On December 10, 2009, the BOD of the Group approved to offer the Group's property in Sta. Rosa, Laguna as payment in lieu of the entire obligation to Chinatrust, and in case of the latter's acceptance, to offer to manage the property in trust, in consideration of management fees and trustee fees, until such time as may be agreed by the parties.

On November 2, 2010, Chinatrust accepted the proposal of the Group to fully settle its outstanding loan obligation amounting to ₱1.31 billion through the Sta. Rosa property as dation in payment. Chinatrust agreed that the Group shall not be liable for any deficiency between the amount of the outstanding loan obligation and the value of the Sta. Rosa property. The "dacion en pago" did not materialize and the ownership of the loan was transferred to Chuang Yuan Limited, a company incorporated in Taiwan. The Group intends to convert the restructured loans and accrued interest payable to equity in the form of additional paid in capital.

On August 27, 2018, Chuang Yuan Limited sold the loan to Malaysia Garments, a company incorporated in Singapore and a related party (see Note 17) with the intention to convert the restructured loans and accrued interest payable to equity in the form of additional paid in capital.

In September 2018, the BOD approved a financial restructuring plan that includes the conversion of restructured loans and related accrued interest, amounting to ₱388,183,656, to equity in the form of additional paid in capital (see Note 1). As of June 30, 2020, the process for the amendment of the AOI of the Parent Company, subject to the approval of the SEC, to implement the financial restructuring is still on going.

11. **Capital Stock**

As at December 31, 2019 and 2018, the Parent Company's capital stock is shown below:

Common stock - ₱5 par value	
Class A:	
Authorized - 144,000,000 shares	
Issued - 123,747,707 shares	**₱618,738,535**
Class B:	
Authorized - 96,000,000 shares	
Issued - 82,498,474 shares	**412,492,370**
	₱1,031,230,905

All shares of common stock have the same rights and privileges, except that Class A common stock can be issued only to Filipino citizens or entities. The total number of issued Class B shares should not exceed 2/3 of the total number of issued Class A shares.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
July 22, 1968	100,000,000	94,964,130	₱7.80
September 22, 1989	100,000,000	94,964,130	5.00
July 18, 1991	160,000,000	154,964,130	5.00
1991 - 2002	240,000,000	206,246,181	5.00

In 2017, the BOD and stockholders of the Parent Company approved a business plan which consist of its plan for financial restructuring subject to SEC approval. In relation to the financial restructuring, in September 2018, the BOD approved the following:

a) Amendment of the Seventh Article of the Parent Company's AOI to reflect the following:
   i. Reduction of par value from ₱5.00 per share to ₱2.50 per share
   ii. Creation of Preferred Shares with the following features:
      - Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares
      - Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted), cumulative dividends and right to receive profit-participating stocks
      - Veto Right – Right to veto the development of Sta. Rosa property such that the development project of said land must be approved by Preferred shareholders
      - Exercise of voting right – The Preferred shareholders shall not have a right to vote, except on matter specific in Section Six of the Corporation Code of the Philippines and those relative to the development of Sta. Rosa Property and
      - Convertible to Common Shares – Right to convert preferred shares to common shares using 16.78:1 conversion ratio at ₱2.50 per share
   iii. Reclassification of 33,426,498 Common Shares (Class B) to Preferred Shares
b) Conversion of debt to equity (see Note 10)

The financial restructuring includes the conversion of restructured loans and related accrued interest to equity in the form of additional paid in capital (see Note 1). As of June 30, 2020, the process for the amendment of the AOI of the Parent Company, subject to the approval of the SEC, to implement the financial restructuring is still on going.

Dividends Payable
In 2011, the SRTC's trustee returned an amount of ₱156,087 which pertains to unclaimed dividends declared in 2002. These will be paid upon approval of SRTC's dissolution.

12. **Lease Agreements**

a. Group as Lessor
On February 7, 2007, the Group has existing lease agreements with various third parties (lessees) covering the Group's investment property located in Sta. Rosa, Laguna. The term of the lease are generally renewable every six months to one year or at the option of both parties under the terms

and stipulations mutually agreed upon, unless sooner terminated due to breach of agreement. Rental income earned on the investment property amounted to ₱38,697,740, ₱32,402,256 and ₱26,942,628 in 2019, 2018 and 2017, respectively (see Note 8).

In 2014, the Group also started to lease out the land to third parties (lessees) covering the Group's investment property located in Pontevedra, Capiz. The term of the lease are generally renewable every six months to one year or at the option of both parties under the terms and stipulations mutually agreed upon, unless sooner terminated due to breach of agreement. Rental income earned on the investment property amounted to ₱806,750, ₱919,000 and ₱994,000 in 2019, 2018 and 2017, respectively (see Note 8).

b. Group as Lessee
On December 16, 2009, the Group entered principally into a lease contract wherein the Group will lease the lessor's commercial space located at The Pearlbank Centre, Salcedo Village, Makati City. The lease period is from December 16, 2009 to December 31, 2015. An annual rent escalation of 10% on the 3rd year and 7% on the 4th and 5th year shall be applied to the monthly rentals of the lessee for the leased premises. At the end of the lease period, the lease agreement may be renewed only upon the consent and approval of the lessor and provided that the lessee has no outstanding obligations with the lessor.

This was subsequently renewed for a period of five years commencing on January 1, 2015 to December 31, 2019 with no rent escalation for the first three years, 5% escalation on the 4th year, and another 5% escalation on the 5th year. In December 2019, the contract was renewed for another year commencing on January 1, 2020 to December 31, 2020 with no rent escalation.

The minimum lease payments for the next year is as follows:

	2019	2018	2017
Within one year	**₱1,307,526**	₱1,185,953	₱1,132,046
After one year but not more than five years	–	–	1,185,953
	₱1,307,526	₱1,185,953	₱2,317,999

The Group also entered into lease agreements with various lessors for the rental of parking lots and office equipment. The Group applies the 'short-term lease' recognition exemptions for these leases.

Total rental expense amounted to ₱926,659, ₱1,394,142 and ₱1,115,239 in 2019, 2018 and 2017, respectively (see Note 13).

13. Costs and Operating Expenses

	2019	2018	2017
Taxes and licenses	**₱5,435,715**	₱4,961,153	₱4,570,170
Impairment losses on prepayments and other current and noncurrent assets (Note 6)	**7,438,848**	23,361	43,581
Security services	**4,352,407**	4,298,134	4,087,360
Professional fees	**3,900,744**	3,791,673	3,186,832
Contractual labor	**2,425,207**	2,544,405	2,837,054

Forwarded

	2019	2018	2017
Salaries and wages	**1,483,390**	1,327,978	1,658,908
Employee benefits	**981,731**	1,212,111	801,223
Transportation and travel	**968,129**	328,811	172,097
Entertainment, amusement and recreation	**934,206**	881,604	1,227,873
Rental (Note 12)	**926,659**	1,394,142	1,115,239
Repairs and maintenance	**609,258**	718,579	347,248
Utilities	**535,520**	173,453	169,529
Office supplies	**38,102**	57,374	39,356
Insurance	**4,212**	–	4,758
Subscriptions, dues and donations	**3,312**	7,294	542,952
Others	**55,480**	2,182,207	985,783
	₱30,092,920	₱23,902,279	₱21,789,963

Other cost and operating expenses is composed of other fees with minimal amounts.

14. **Financial Charges** - net

	2019	2018	2017
Financial charges:			
Interest expense (Note 10)	**(₱18,731,973)**	(₱18,731,973)	(₱18,731,973)
Financial income:			
Interest income (Note 5)	**140,920**	199,773	181,275
	(₱18,591,053)	(₱18,532,200)	(₱18,550,698)

15. **Other Income (Expense)** - net

	2019	2018	2017
Foreign exchange gains (losses) - net	**₱5,807,198**	(₱7,932,348)	(₱623,564)
Retirement benefit income (expense)	**(84,652)**	698,330	456,920
Other income	**530,057**	125,950	1,294,187
	₱6,252,603	(₱7,108,068)	₱1,127,543

16. **Income Taxes**

a. The provision for income tax consists of:

	2019	2018	2017
Current	**₱5,199,151**	₱3,036,535	₱1,130,027
Deferred	**(25,396)**	209,499	137,076
	₱5,173,755	₱3,246,034	₱1,267,103

b. The provision for current income tax represents regular corporate income tax in 2019, 2018 and 2017.

c. The reconciliation of income tax computed at the statutory income tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2019	2018	2017
Tax at statutory income tax rate	**(₱878,064)**	(₱4,866,388)	(₱3,382,947)
Add (deduct) tax effects of:			
Nondeductible interest expense	**5,619,592**	5,619,592	5,619,592
Nondeductible expenses	**891,941**	167,271	287,534
Movement in unrecognized deferred tax assets	**(555,227)**	2,241,527	(1,284,786)
Expired NOLCO and MCIT	**137,274**	143,964	82,093
Excess MCIT over RCIT	**515**	–	–
Interest income subjected to final tax	**(42,276)**	(59,932)	(54,383)
	₱5,173,755	₱3,246,034	₱1,267,103

d. The Group has temporary differences and NOLCO for which no deferred tax assets were recognized since management believes that it is not probable that sufficient future taxable profit will be available against which the benefits of the deferred tax assets can be utilized. The components of the Group's temporary differences are as follows:

	2019	2018
Profit or loss		
Unrealized foreign exchange losses	**₱90,829,415**	₱96,636,613
Allowance for impairment losses on:		
Investments in associates – net	**2,267,500**	2,267,500
Other noncurrent assets	**–**	92,904
Accrued rent	**–**	563,955
Excess MCIT	**515**	–
NOLCO	**117,000**	535,580
	93,214,430	100,096,552
Other comprehensive income		
Retirement plan assets	**–**	5,057,117
	–	5,057,117
Total	**₱93,214,430**	₱105,153,669

e. The Group has deferred tax liabilities pertaining to the following:

	2019	2018
Investment properties	**₱135,182,163**	₱70,739,299
Retirement plan assets	**7,709,481**	8,705,543
	₱142,891,644	₱79,444,842

In 2019, the Group recognized additional deferred tax liability on its investment property in Sta. Rosa Laguna as a result of its change in classification from capital asset to ordinary asset.

The additional deferred tax liability amounting to ₱64,442,864 is recognized in other comprehensive income and subsequently closed to similar to how revaluation increment in the investment property was initially recognized in 2005.

f. As at December 31, 2019, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income as follows:

Year	Valid Until	NOLCO	MCIT
2019	2022	₱39,000	₱515
2018	2021	39,000	–
2017	2020	39,000	–
		₱117,000	₱515

g. The following are the movements in NOLCO and MCIT of the Group:

NOLCO	**2019**	2018
Beginning balances	**₱535,580**	₱1,019,532
Additions	**39,000**	39,000
Expirations	**(457,580)**	(479,879)
Applications	**–**	(43,073)
Ending balances	**₱117,000**	₱535,580

Excess MCIT	**2019**	2018
Beginning balances	**₱–**	₱–
Addition	**515**	–
Ending balances	**₱515**	₱–

As at December 31, 2019 and 2018, IKAC has no remaining NOLCO that can be claimed as deduction from future taxable income. IKAC has remaining MCIT which can be claimed as tax credit against regular tax for 2019 and none for 2018 as follows:

Year incurred	Year of expiry	MCIT
2017	2020	₱–
2018	2021	–
2019	2022	515
Ending balances		₱515

The following are the movements in MCIT as at December 31, 2019 of IKAC:

Beginning balances	₱–
Additions	515
Applications	–
Ending balances	₱515

As at December 31, 2019 and 2018, the SRTC has no remaining MCIT which can be claimed as tax credit against regular tax and has remaining NOLCO that can be claimed as deduction from future taxable income as follows:

NOLCO	**2019**	2018
Beginning balances	**₱535,580**	₱1,019,532
Additions	**39,000**	39,000
Expirations	**(457,580)**	(479,879)
Applications	**–**	(43,073)
Ending balances	**₱117,000**	₱535,580

Year incurred	Year of expiry	NOLCO
2017	2020	₱39,000
2018	2021	39,000
2019	2022	39,000
Ending balances		₱117,000

h. The Group did not avail of the optional standard deduction in 2019 and 2018.

17. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group, close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions with related parties comprise of the following:

	Amount/ Volume	Outstanding balance	Terms	Conditions
Stockholder				
Trans-Pacific				
Loans payable to a stockholder				
2019	**₱–**	**₱151,920,000**	(a)	Unsecured and unguaranteed
2018	₱–	₱157,740,000		
Stockholder				
Malaysia Garment				
Restructured loans (Note 10)				
2019	**₱–**	**₱930,132,682**	(b)	Secured by first and second MTIs
2018	₱930,132,682	₱930,132,682		

a) The Group has availed of working capital US$-denominated loan payable amounting to US$3 million from Trans-Pacific, a major stockholder, with fixed interest rate. In 2001, there was a modification in the agreement of the parties, the modified terms include non-accrual on interest beginning that year. The loan is already due and demandable. Payment of interest, amounting to ₱950,000 and ₱1,000,000, were made in 2019 and 2018, respectively. There were no availments nor were payments of the principal loan in 2019 and 2018.

b) The Group has an outstanding loan with Malaysia Garment secured by first and second MTI amounting to ₱155,684,615 and ₱774,448,067, respectively, totaling to ₱930,132,682 (see Note 10).

Accrued interest on the above loans amounted to ₱441,497,182 and ₱424,299,510 as at December 31, 2019 and 2018, respectively, out of which interest amounting to ₱388,183,656 will form part of the restructured loans subject to financial restructuring.

In September 2018, the BOD approved a financial restructuring plan that includes the conversion of restructured loans to equity.

Compensation of Key Management Personnel of the Group
The Group considers as key management personnel all employees holding managerial positions up to president. Compensation of key management personnel amounted to ₱892,820, ₱835,842 and ₱553,212 in 2019, 2018 and 2017 respectively.

18. Retirement Plan Assets

The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. Benefits are dependent on the years of service and the respective employee's compensation. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. There was no planned termination, curtailment or settlement for the years ended December 31, 2019 and 2018.

Under the existing regulatory framework, Republic Act 7641, otherwise known as the "Retirement Pay Law", requires a provision for retirement pay to qualified private sector employees in the absence of any retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law.

The latest independent actuarial valuation report as at December 31, 2019 is determined using the projected unit credit method in accordance with Revised PAS 19, *Retirement Benefits*. The plan is administered by independent trustee with assets held separately from those of the Group.

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position, and the components of the retirement benefit income recognized in the consolidated statements of comprehensive income for the retirement plan:

	2019	2018
Present value of obligation (PVO)	**₱3,448,449**	₱3,363,898
Fair value of plan assets (FVPA)	**(29,146,719)**	(27,325,259)
	(₱25,698,270)	(₱23,961,361)

Movements in the retirement plan assets are as follows:

	2019	2018
Beginning balances	**(₱23,961,361)**	(₱24,224,038)
Retirement benefit expense (income)	**84,652**	(698,330)
Actuarial (gains) losses on plan assets	**(1,821,561)**	961,007
Ending balances	**(₱25,698,270)**	(₱23,961,361)

Movements in the retirement benefit expense (income) are as follows:

	2019	2018
Current service cost	**₱84,652**	₱86,529
Net interest income on benefit obligation and plan assets	–	(784,859)
	₱84,652	(₱698,330)

Retirement benefit expense (income) is presented in under 'Financial charges' in the consolidated statements of comprehensive income.

Changes in PVO are as follows:

	2019	2018
Beginning balances	**₱3,363,898**	₱3,246,950
Current service cost	**84,652**	86,529
Interest cost on benefit obligation	–	50,513
Actuarial losses (gains) on obligation:		
Experience adjustments	**73,137**	(20,094)
Changes in demographic assumptions	**(73,238)**	–
Ending balances	**₱3,448,449**	₱3,363,898

Changes in FVPA are as follows:

	2019	2018
Beginning balances	**₱27,325,259**	₱27,470,988
Interest income on plan assets	–	835,372
Actual return on plan assets	**1,821,460**	(981,101)
Benefits paid	–	–
Ending balances	**₱29,146,719**	₱27,325,259

The main categories of plan assets as a percentage of the fair value of total plan assets follow:

	2019		2018	
Cash	**₱1,493,637**	**5.08%**	₱1,472,489	5.39%
Investments	**27,607,054**	**93.96%**	25,735,527	94.18%
Accrued income receivable	**326,734**	**1.11%**	158,892	0.58%
Other payables	**(44,712)**	**(0.15%)**	(41,650)	(0.15%)
	₱29,382,713	**100%**	₱27,325,258	100%

The principal assumptions used in determining retirement obligations for the Group's plan is shown below:

	2019	2018
Discount rate	**0.00%**	3.23%
Salary increase rate	**1.00%**	1.00%

The overall expected rate of return of plan asset is based on the market prices prevailing on that date, applicable to the period over which the liability is settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement plan asset as of the end of the reporting date, assuming if all other assumptions were held constant:

	Increase (Decrease)	**2019**	2018
Discount rates	+100 basis points	**₱3,426,555**	₱3,342,575
	-100 basis points	**3,470,705**	3,385,573
Salary increase rates	+100 basis points	**₱3,482,592**	₱3,397,204
	-100 basis points	**3,414,306**	3,330,592

As at December 31, 2019 and 2018, the Group's plan assets is in a funded status. Consequently, the Group does not expect to make any contribution to its retirement plan in 2019.

The undiscounted benefit payments are ₱3,582,725 and ₱3,496,158 in 2019 and 2018, respectively.

Retirement Fund

The Group entered into a Trust Agreement with BPI Asset Management for the latter to serve as a trustee for the Group's retirement fund. The carrying amount equals the fair value of the retirement fund amounting to ₱29,382,713 and ₱27,325,259 as at December 31, 2019 and 2018, respectively. There were no any other transactions between the Group and the retirement fund trustee.

19. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material NCIs are provided below:

Proportion of equity interest held by NCIs:

	Principal Place of Business	**2019**
IKAC	Philippines	**77.08%**
SRTC	Philippines	**56.98%**

Equity attributable to material NCI:

	2019	2018
IKAC	**(₱16,603,754)**	(₱16,603,793)
SRTC	**226,480**	243,257
Total	**(₱16,377,274)**	(₱16,360,536)

Net income (loss) attributable to material NCI:

	2019	2018	2017
IKAC	**₱40**	₱25,686	₱14,287
SRTC	**(16,778)**	(16,778)	(16,778)
	(₱16,738)	₱8,908	(₱2,491)

There are no OCI items that are attributable to material NCI.

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-Group eliminations.

Summarized statements of financial position, statements of comprehensive income and cash flow information for all the years ended December 31 of IKAC are as follows:

	2019	2018
Current assets	**₱1,456,743**	₱1,341,218
Noncurrent assets	**19,510,000**	19,510,000
Current liabilities	**(90,280,682)**	(90,165,332)
Noncurrent liabilities	**(3,128,266)**	(3,128,266)
Total capital deficiency	**(₱72,442,205)**	(₱72,442,380)
Attributable to equity holders of parent	**(₱55,838,451)**	(₱55,838,586)
NCI	**(16,603,754)**	(16,603,793)

	2019	2018	2017
Revenues	**₱806,750**	₱919,000	₱994,000
Cost of services	**(247,526)**	(235,525)	(336,378)
Operating expenses	**(552,871)**	(538,165)	(568,314)
Interest income	**5,006**	4,439	3,395
Income (loss) before income tax	**11,359**	149,749	92,703
Provision for income tax	**(11,184)**	(37,679)	(30,372)
Net income (loss)	**175**	112,070	62,331
OCI	**–**	–	–
Total comprehensive income (loss)	**175**	112,070	62,331
Attributable to NCI	**(₱40)**	(₱25,686)	(₱14,287)
Net increase (decrease) in cash from operating activities	**₱115,525**	₱118,876	₱155,097

Summarized statements of financial position, statements of comprehensive income and cash flow information for all the years ended December 31 of SRTC are as follows:

	2019	2018
Current assets	**₱724,540**	₱724,540
Current liabilities	**(159,087)**	(159,087)
Total equity	**₱565,453**	₱565,453
Attributable to equity holders of parent	**₱322,195**	₱322,195
NCI	**226,481**	243,258

	2019	2018	2017
Operating expenses	**(₱39,000)**	(₱39,000)	(₱39,000)
Interest income	**–**	–	–
Loss before income tax	**(39,000)**	(39,000)	(39,000)
Provision for income tax	**–**	–	–
Net loss	**(39,000)**	(39,000)	(39,000)
Other comprehensive income	**–**	–	–
Total comprehensive loss	**(₱39,000)**	(₱39,000)	(₱39,000)
Attributable to NCI	**₱16,778**	₱16,778	₱16,778

	2019	2018	2017
Net decrease in cash from operating activities	**(₱39,000)**	(₱39,000)	(₱39,000)

20. Operating Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group derives revenue from its leasing activities. Others pertain to activities for subsidiary which is under liquidation and has yet to begin operations.

The Parent Company's Executive Committee, the chief operating decision maker of the Group, monitors the operating results of its business units.

The following tables present certain information regarding the Group's operating business segments (amounts in thousands):

	2019				
	Leasing	**Others**	**Total**	**Eliminations**	**Consolidated**
Revenue	**₱39,505**	**₱–**	**₱39,505**	**₱–**	**₱39,505**
Costs and operating expenses	**(30,055)**	**(39)**	**(30,094)**	**–**	**(30,094)**
Financial income (charges) - net	**(18,590)**	**–**	**(18,590)**	**–**	**(18,590)**
Other income - net	**6,337**	**–**	**6,337**	**–**	**6,337**
Loss before income tax	**(2,803)**	**(39)**	**(2,842)**	**–**	**(2,842)**
Provision for income tax	**(5,174)**	**–**	**(5,174)**	**–**	**(5,174)**
Net loss	**(₱7,977)**	**(₱39)**	**(₱8,016)**	**₱–**	**(₱8,016)**
Other comprehensive loss - net of tax	**(₱63,168)**	**₱–**	**(₱63,168)**	**₱–**	**(₱63,168)**
Total comprehensive loss	**(₱71,145)**	**(₱39)**	**(₱71,184)**	**₱–**	**(₱71,184)**
OTHER INFORMATION					
Segment assets	**₱1,022,489**	**₱26,794**	**₱1,049,283**	**(₱51,109)**	**₱998,174**
Segment liabilities	**1,798,626**	**1,268**	**1,799,894**	**(95,804)**	**₱1,704,090**

	2018				
	Leasing	Others	Total	Eliminations	Consolidated
Revenue	₱33,321	₱–	₱33,321	₱–	₱33,321
Costs and operating expenses	(23,864)	(39)	(23,903)	–	(23,903)
Financial income (charges)- net	(18,532)	–	(18,532)	–	(18,532)
Other income - net	(7,108)	–	(7,108)	–	(7,108)
Loss before income tax	(16,183)	(39)	(16,222)	–	(16,222)
Provision for income tax	(3,246)	–	(3,246)	–	(3,246)
Net loss	(19,429)	(₱39)	(19,468)	₱–	(₱19,468)
Other comprehensive loss - net of tax	(₱961)	₱–	(₱961)	₱–	(₱961)
Total comprehensive loss	(₱20,390)	(₱39)	(₱20,429)	₱–	(₱20,429)
OTHER INFORMATION					
Segment assets	₱992,480	₱725	₱993,205	₱–	₱993,205
Segment liabilities	1,698,906	159	1,699,065	(69,695)	1,629,370

	2017				
	Leasing	Others	Total	Eliminations	Consolidated
Revenue	₱27,937	₱–	₱27,937	₱–	₱27,937
Costs and operating expenses	(21,751)	(39)	(21,790)	–	(21,790)
Financial income (charges)- net	(18,551)	–	(18,551)	–	(18,551)
Other income - net	1,127	–	1,127	–	1,127
Loss before income tax	(11,238)	(39)	(11,277)	–	(11,277)
Provision for income tax	(1,267)	–	(1,267)	–	(1,267)
Net loss	(₱12,505)	(₱39)	(₱12,544)	₱–	(₱12,544)
Other comprehensive loss - net of tax	(₱397)	₱–	(₱397)	₱–	(₱397)
Total comprehensive loss	(₱12,902)	(₱39)	(₱12,941)	₱–	(₱12,941)
OTHER INFORMATION					
Segment assets	₱986,295	₱764	₱987,059	₱–	₱987,059
Segment liabilities	1,671,104	159	1,671,263	(69,695)	1,601,568

Majority of the revenue of the Group, through the Parent Company and IKAC, are from various tenants renting on its investment properties covered by lease agreements (see Note 12).

The geographical information of the Group are as follows:

Revenue from external customers:

	2019	2018
Sta. Rosa, Laguna	**₱38,697,740**	₱32,402,256
Pontevedra, Capiz	**806,750**	919,000
	₱39,504,490	₱33,321,256

The revenue information above is based on the locations of the customers. Revenue from one customer amounted to ₱11,763,945 and ₱7,753,684 in 2019 and 2018, respectively, arising from the leasing segment.

Non-current operating assets:

	2019	2018
Sta. Rosa, Laguna	**₱750,045,000**	₱750,045,000
Pontevedra, Capiz	**19,510,000**	19,510,000
	₱769,555,000	₱769,555,000

Noncurrent assets for this purpose consist of investment properties.

21. Financial Risk Management Objectives and Policies and Capital Management

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, restructured loans and loans payable to a stockholder. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial instruments such as other noncurrent assets and accounts and other payables, excluding government payables, which arise directly from its operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. The BOD reviews and agrees policies for managing these risks.

Credit Risk
Credit risk arises from the possibility that the Group may incur financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its cash in banks and cash equivalents and refundable deposits. In addition, the balances of cash in banks and cash equivalents and refundable deposits are monitored on an ongoing basis so that the Group's exposure to impairment losses is not significant. There is no significant concentration of credit risk in the Group.

The Group has three types of financial assets that are subject to the expected credit loss model which is cash and cash equivalents and refundable deposits.

Generally, receivables and amounts by related parties are written off if it can no longer be recovered and are not subject to enforcement activity. As of December 31, 2019, the maximum exposure to credit risk is the carrying value of each class of financial assets.

While cash and cash equivalents are also subject to the impairment requirements of PFRS 9, the identified impairment loss were immaterial.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2019 and 2018.

	2019	2018
Cash in banks and cash equivalents:		
Cash in banks	**₱49,626,020**	₱17,330,149
Cash equivalents	**2,139,510**	21,484,326
Refundable deposits	**826,165**	826,165
Total credit risk exposure	**₱52,591,695**	₱39,640,640

The credit quality of financial assets is managed by the Group using internal credit ratings and is classified into three: High grade, which has history of no default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three payment defaults.

Accordingly, the Group has assessed the credit quality of cash in banks and cash equivalents are classified as high grade and deposited in reputable banks. Cash in banks can be withdrawn anytime and cash equivalents has a maturity of three months or less than the date of acquisition with insignificant risk of changes in value. These assets are neither past due nor impaired.

Liquidity Risk
Liquidity risk arises when there is a shortage of funds and the Group, as a consequence, would not meet its maturing obligations.

The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences and forecasts from its collection and disbursement.

The amounts disclosed in the table below are the contractual undiscounted cash flows as at December 31, 2019 and 2018 which are all due and demandable:

	2019	2018
Accounts and other payables, excluding government liabilities	**₱475,096,562**	₱456,439,757
Restructured loans	**930,132,682**	930,132,682
Loans payable to a stockholder	**151,920,000**	157,740,000
Dividends payable	**156,087**	156,087
	₱1,557,305,331	₱1,544,468,526

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates.

Foreign Currency Risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial and cash flows.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is engaged.

The Group's foreign currency-denominated financial asset and liability as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	United States Dollar	**Peso Equivalent**	United States Dollar	Peso Equivalent
Financial asset:				
Cash in bank	**US$6,663**	**₱337,414**	US$6,662	₱350,288
Financial liability:				
Loan payable to a stockholder	**(3,000,000)**	**(151,920,000)**	(3,000,000)	(157,740,000)
	(US$2,993,337)	**(₱151,582,586)**	(US$2,993,338)	(₱157,389,712)

As at December 31, 2019 and 2018, the exchange rates of the Philippine peso to the US$ are ₱50.64 and ₱52.58 to US$1.00 respectively.

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Parent Company's income before tax as at December 31, 2019 and 2018 is as follows:

	Change in foreign exchange rate	Effect in loss before income tax
2019	**+0.61**	**(₱1,825,936)**
	-0.63	**1,885,802**
2018	+0.71	(₱2,125,270)
	-0.66	1,975,603

Capital Management
The primary objective of the Group's capital management is to ensure its ability to continue as a going concern.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2019 and 2018. The Group has no to externally imposed capital requirement.

The Group considers its common shares as capital. As at December 31, 2019 and 2018, the Group's capital is composed of common shares amounting to ₱1,031,230,905.

As at June 30, 2020, the BOD agreed to maintain the Group's operations at status quo; i.e., lease out the Group's warehouse in Sta. Rosa, Laguna and to look for a potential partner for a joint venture agreement.

22. **Fair Value Measurement**

The following methods and assumptions were used to estimate the amount of fair value of each class of financial and non-financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents and Accounts and Other Payables
The carrying values of these financial instruments approximate their fair values due to the short-term nature of these accounts.

Refundable deposits under other noncurrent assets
The carrying values of refundable deposits under prepayments and other current assets approximate their fair values based on the market value of similar lease agreements.

Dividends Payable
The carrying values of the dividends payable approximate its fair value as the carrying value reflects the actual amount that will be paid to the stockholder upon distribution.

Restructured Loans
The carrying values of the fixed rate interest-bearing restructured loans approximate its fair value as the loans are already due and demandable and the effect of discounting the instrument is not material.

Loan Payable to a Stockholder
The carrying values of the loans payable to a stockholder approximate its fair value as the loan is already due and demandable and the effect of discounting the instrument is not material.

Investment property
The fair value of the investment property has been categorized under the Level 2 which were determined based on the valuations performed by third party appraiser using Market Approach for Land (see Note 8).

23. Events after the End of Reporting Period

Subsequent event – COVID-19 outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020 and a modified enhanced community quarantine (MECQ) throughout Metro Manila and other provinces until May 31, 2020. On June 1, 2020, Metro Manila and other provinces exited MECQ and transitioned to general community quarantine (GCQ) until June 15, 2020 which was subsequently extended until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The imposition of the enhanced community quarantine resulted to the temporary cessation of the business activities of the Company and will continue until it is lifted by the government.

The Group considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, it could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

24. Contingent Liabilities

The Group is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or under negotiation, the outcomes of which are not presently determinable. In the opinion of Group management and their legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial position or results of operations.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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Fax: (632) 819 0872
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
FILSYN Corporation
Unit 8, 5B The Pearlbank Centre, 146 Valero St.,
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of FILSYN Corporation and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, 2018 and 2017, included in this Form 17-A and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125246, January 7, 2020, Makati City

June 30, 2020

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
FILSYN Corporation
Unit 8, 5B The Pearlbank Centre, 146 Valero St.,
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of FILSYN Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, 2018 and 2017 and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125246, January 7, 2020, Makati City

June 30, 2020

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

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2019

FILSYN Corporation
Unit 8, 5B The Pearlbank Centre, 146 Valero St., Salcedo Village, Makati City

NOT APPLICABLE

Unappropriated Retained Ear

Adjustments:

Unappropriated Retained Earnings, as adjusted, beginning

Add: Net income actually earned/realized during the period

Net loss during the period closed to Retained Earnings

Less: Non-actual/unrealized income net of tax
Equity in net income of associate/joint venture
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash Equivalents)
Unrealized actuarial gain
Fair value adjustment (M2M gains)
Fair value adjustment of Investment Property resulting to gain
Adjustment due to deviation from PFRS/GAAP-gain
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS

Subtotal

Add: Non-actual losses
Depreciation on revaluation increment (after tax)
Adjustment due to deviation from PFRS/GAAP-loss
Loss on fair value adjustment of investment property

Subtotal

Net loss actually earned during the period

Add (Less):
Dividend declarations during the period
Appropriations of retained earnings
Reversals of appropriations
Effects of prior period adjustments
Effects of PAS 19 adoption
Treasury shares

Subtotal

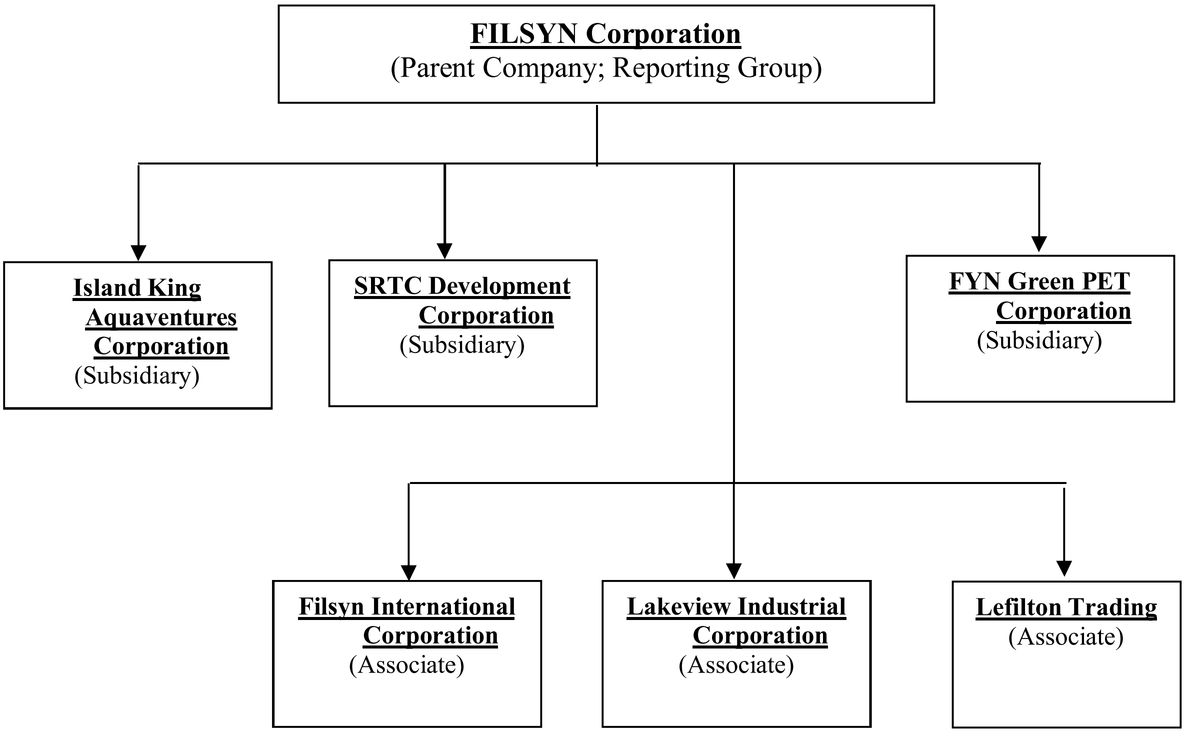
TOTAL RETAINED EARNINGS, END
AVAILABLE FOR DIVIDEND

SCHEDULE II
FILSYN CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Ratio	Formula		2019	2018
	Total Current Assets divided by Total Current Liabilities			
	Total Current Assets	₱54,309		
	Divided by: Total Current Liabilities	1,561,198		
Current ratio	Current Ratio	0.03	0.03: 1	0.03: 1
	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			
	Total Current Assets	₱54,309		
	Less: Inventories	–		
	Other current assets	2,506		
	Quick assets	51,803		
	Divided by: Total Current Liabilities	1,561,198		
Acid test ratio	Acid test ratio	0.03	0.03: 1	0.03: 1
	Net income plus Noncash expenses divided by Short term liabilities plus Long term liabilities			
	Net Income	(₱8,101)		
	Add: Noncash Expenses			
	Depreciation	–		
		(8,101)		
	Divided by: Total Liabilities	1,704,090		
Solvency ratio	Solvency ratio	0.00	0.00: 1	0.01: 1
	Total Liabilities divided by Total Shareholder's Equity			
	Total Liabilities	₱1,704,090		
	Divided by: Total Shareholder's Equity	(705,916)		
Debt to equity ratio	Debt to equity ratio	(2.41)	(2.41): 1	(2.56): 1
	Total Assets divided by Total Shareholder's Equity			
	Total Assets	₱998,174		
	Divided by: Total Shareholder's Equity	(705,916)		
Asset to equity ratio	Asset to equity ratio	(1.41)	(1.41): 1	(1.56): 1
	Earnings before interest and taxes (EBIT) divided by Interest expense			
	EBIT	₱15,664		
	Divided by: Interest Expense	(18,591)		
Interest rate coverage ratio	Interest rate coverage ratio	(0.84)	(0.84): 1	(0.12): 1
	Net Income divided by Total Shareholder's Equity			
	Net Loss	(₱8,101)		
	Divided by: Total Shareholder's Equity	(705,916)		
Return on equity	Return on equity	1.15%	1.15%	3.06%
	Net Income divided by Average Total Assets			
	Net Income	(₱8,101)		
	Divided by: Average Total Assets	995,689		
Return on assets	Return on assets	(0.81%)	(0.81%)	(1.98%)

	Net Income divided by Revenue			
	Net income	(₱8,101)		
	Divided by: Revenue	39,504		
Net profit margin	Net profit margin	(20.51%)	(20.51%)	(58.42%)
	Gross Profit divided by Revenue			
	Gross Profit	₱9,412		
	Divided by: Revenue	39,504		
Operating profit margin	Net profit margin	23.83%	23.83%	28.34%

SCHEDULE III
FILSYN CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019



SCHEDULE A

FILSYN CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
AS AT DECEMBER 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the Statement of Financial	Value based on Market Quotation at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	₱51,765,530	₱51,765,530	₱140,920
Refundable deposits	N/A	826,165	826,165	–
		52,591,695	52,591,695	140,920

SCHEDULE B

FILSYN CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end period

NOT APPLICABLE

SCHEDULE C

FILSYN CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end period
IKAC	₱85,902,615	₱–	₱–	₱–	₱85,902,615	₱–	₱85,902,615
FYN Green	₱1,108,800	₱–	₱–	₱–	₱1,108,800	₱–	₱1,108,800

SCHEDULE D

FILSYN CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT (RESTRUCTURED LOANS)
DECEMBER 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-term debt" in related Statement of Financial Position	Amount shown under caption "Long-term debt" in related of Financial Position
Restructured Loans			
Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments)	₱930,132,682	₱930,132,682	₱–

SCHEDULE E

FILSYN CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019

Name of Related Party	Balance at beginning of period	Balance at end of period
Trans-Pacific Oriental Holding Company, Inc.	₱157,740,000	₱151,920,000

SCHEDULE F

FILSYN CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

FILSYN CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding Shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By: Related Parties	Number of Shares Held By: Directors, Officers and Employees	Number of Shares Held By: Others
COMMON STOCK						
Class A	144,000,000	123,747,707	–	63,578,181	124,652	60,044,874
Class B	96,000,000	82,498,474	–	45,065,670	100,002	37,332,802
	240,000,000	206,246,181	–	108,643,851	224,654	97,377,676