



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **Filsyn Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

A handwritten signature in black ink, appearing to read 'F. Herrera III', is written above a horizontal line.

**FLORENTINO M. HERRERA III**

*Chairman and President*

A handwritten signature in black ink, appearing to read 'A. Posio', is written above a horizontal line.

**APOLINARIO L. POSIO**

*Senior Vice President and Chief  
Financial Officer*

Signed this \_\_\_\_\_ day of \_\_\_\_\_



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Parent Company Financial Statements**

#### **Opinion**

We have audited the parent company financial statements of FILSYN Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in capital deficiency and parent company statements of cash flows for the years then ended, and notes to parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial statements, which indicates that the Parent Company's Registration of Securities and Permit to Sell Securities to the public has been revoked in 2002. In addition, the Parent Company incurred net loss of ₱14.6 million in 2022 and net income of ₱15.7 million in 2021, resulting in accumulated deficit amounting to ₱1,877.2 million and ₱1,862.6 million as at December 31, 2022 and 2021, respectively, and capital deficiency amounting to ₱703.9 million and ₱689.0 million as at December 31, 2022 and 2021, respectively. Also, the Parent Company's current liabilities exceeded its current assets by ₱1,545.8 million and ₱1,529.7 million as at December 31, 2022 and 2021, respectively. These conditions, along with other matters as set forth in Note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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

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

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

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

## **Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company 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 Parent Company to cease to continue as a going concern.



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

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

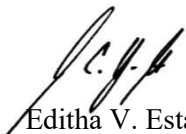
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on the Supplementary Information Required Under Revenue Regulation 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 22 to the parent company financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the parent company financial statements. Such information is the responsibility of the management of FILSYN Corporation. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Editha V. Estacio.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 17, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

April 28, 2023



**FILSYN CORPORATION**  
**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱55,287,737	₱36,075,914
Trade and other receivables (Note 5)	4,606,990	3,076,569
Prepayments and other current assets (Note 6)	2,087,151	3,001,046
<b>Total Current Assets</b>	<b>61,981,878</b>	<b>42,153,529</b>
<b>Noncurrent Assets</b>		
Investment properties - at deemed cost (Note 9)	898,657,147	898,657,147
Investments in and advances to subsidiaries - net (Note 7)	33,967,148	32,455,209
Retirement plan assets (Note 18)	26,517,803	26,921,303
Other noncurrent assets (Note 8)	1	1
<b>Total Noncurrent Assets</b>	<b>959,142,099</b>	<b>958,033,660</b>
<b>TOTAL ASSETS</b>	<b>₱1,021,123,977</b>	<b>₱1,000,187,189</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Note 10)	₱503,325,367	₱486,011,119
Restructured loans (Notes 11 and 17)	930,132,682	930,132,682
Loans payable to a stock (Note 17)	167,265,000	152,997,000
Due to a related party (Note 17)	6,000,000	-
Income tax payable	1,025,765	2,702,711
<b>Total Current Liabilities</b>	<b>1,607,748,814</b>	<b>1,571,843,512</b>
<b>Noncurrent Liability</b>		
Deferred tax liabilities (Note 16)	117,273,948	117,374,823
<b>Total Liabilities</b>	<b>1,725,022,762</b>	<b>1,689,218,335</b>
<b>Capital Deficiency</b>		
Capital stock (Note 12)	1,031,230,905	1,031,230,905
Additional paid-in capital	143,589,745	143,589,745
Remeasurement loss on retirement plan assets (Note 18)	(1,537,789)	(1,300,089)
Deficit	(1,877,181,646)	(1,862,551,707)
<b>Total Capital Deficiency</b>	<b>(703,898,785)</b>	<b>(689,031,146)</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>	<b>₱1,021,123,977</b>	<b>₱1,000,187,189</b>

*See accompanying Notes to Parent Company Financial Statements.*



**FILSYN CORPORATION****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>RENTAL INCOME</b> (Notes 9 and 14)	<b>₱54,012,272</b>	₱51,244,845
<b>COSTS AND EXPENSES</b> (Note 15)	<b>29,621,444</b>	24,987,434
<b>OTHER INCOME (CHARGES) - Net</b>		
Interest expense (Note 17)	<b>(18,731,973)</b>	(18,731,999)
Foreign exchange gains (losses) - net (Note 19)	<b>(14,268,000)</b>	(8,928,000)
Interest income (Note 4)	<b>42,981</b>	37,659
Others - net	<b>45,243</b>	50,621
	<b>(32,911,749)</b>	(27,571,719)
<b>LOSS BEFORE INCOME TAX</b>	<b>(8,520,921)</b>	(1,314,308)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 16)		
Current	<b>6,130,660</b>	6,455,869
Deferred	<b>(21,642)</b>	(23,512,111)
	<b>6,109,018</b>	(17,056,242)
<b>NET INCOME (LOSS)</b>	<b>(14,629,939)</b>	15,741,934
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gain (loss) on retirement plan assets (Note 18)	<b>(316,933)</b>	(223,518)
Income tax effect	<b>79,233</b>	55,880
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(237,700)</b>	(167,638)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱14,867,639)</b>	₱15,574,296
<b>INCOME (LOSS) PER SHARE</b> (Note 13)		
Basic and diluted, for net loss attributable to equity holders of the Parent Company	<b>(₱0.0709)</b>	₱0.0763

*See accompanying Notes to Parent Company Financial Statements.*



**FILSYN CORPORATION**

**PARENT COMPANY STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY  
FOR THE YEARS ENDED December 31, 2022 and 2021**

	Capital Stock (Note 12)	Additional Paid-in Capital	Remeasurement Gain (Loss) on Retirement Plan Assets (Note 18)	Deficit (Note 1)	Total
<b>Balances at December 31, 2020</b>	<b>₱1,031,230,905</b>	<b>₱143,589,745</b>	<b>(₱1,132,451)</b>	<b>(₱1,878,293,641)</b>	<b>(₱704,605,442)</b>
Net income	–	–	–	15,741,934	15,741,934
Remeasurement gain on retirement plan assets, net of tax	–	–	(167,638)	–	(167,638)
Total comprehensive loss	–	–	(167,638)	15,741,934	15,574,296
<b>Balances at December 31, 2021</b>	<b>₱1,031,230,905</b>	<b>₱143,589,745</b>	<b>(₱1,300,089)</b>	<b>(₱1,862,551,707)</b>	<b>(₱689,031,146)</b>
Net loss	–	–	–	(14,629,939)	(14,629,939)
Remeasurement loss on retirement plan assets, net of tax	–	–	(237,700)	–	(237,700)
Total comprehensive loss	–	–	(237,700)	(14,629,939)	(14,867,639)
<b>Balances at December 31, 2022</b>	<b>₱1,031,230,905</b>	<b>₱143,589,745</b>	<b>(₱1,537,789)</b>	<b>(₱1,877,181,646)</b>	<b>(₱703,898,785)</b>

*See accompanying Notes to Parent Company Financial Statements.*





**FILSYN CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(₱8,520,921)</b>	(₱1,314,308)
Adjustments for:		
Interest expense (Note 17)	<b>18,734,473</b>	18,731,999
Unrealized foreign exchange (gains) losses – net (Note 17)	<b>14,268,000</b>	8,928,000
Movement in retirement plan assets (Note 18)	<b>86,567</b>	86,567
Interest income (Note 4)	<b>(42,981)</b>	(37,659)
Working capital changes:		
Decrease (increase) in		
Prepayments and other current assets and noncurrent assets (Note 6)	<b>3,771,019</b>	(4,763,347)
Trade and other receivables	<b>(1,530,420)</b>	–
Increase (decrease) in		
Accounts and other payables	<b>(9,009,790)</b>	(11,961,589)
Income tax payable	<b>(1,420,227)</b>	–
Net cash generated from operations	<b>16,335,720</b>	9,669,663
Interest received	<b>42,981</b>	37,659
Income tax paid	<b>(454,939)</b>	(3,076,526)
Net cash flows generated from operating activities	<b>15,923,762</b>	6,630,796
<b>CASH FLOWS USED IN AN INVESTING ACTIVITY</b>		
Increase in investments in and advances to subsidiaries (Notes 7 and 17)	<b>(1,511,939)</b>	(1,038,016)
<b>CASH FLOWS USED IN A FINANCING ACTIVITY</b>		
Advances from a related party (Note 17)	<b>6,000,000</b>	–
Interest paid (Note 17)	<b>(1,200,000)</b>	–
Net cash flows generated from operating activities	<b>4,800,000</b>	–
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,211,823</b>	5,592,780
<b>EFFECT OF EXCHANGE RATE ON CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>–</b>	<b>–</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>36,075,914</b>	30,483,134
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱55,287,737</b>	₱36,075,914

*See accompanying Notes to Parent Company Financial Statements.*



# FILSYN CORPORATION

## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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### 1. Corporate Information and Authorization for Issuance of the Parent Company Financial Statements

#### Corporate Information

Filsyn Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 22, 1968 and is domiciled in the Republic of the Philippines whose shares are publicly listed 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 registered office address of the Parent Company is Unit 8, 5B The Pearlbank Centre, 146 Valero St., Salcedo Village, Makati City.

#### Status of Operations

We draw attention to Note 1 in the 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 Parent Company incurred net loss of ₱14.6 million in 2022 and net income of ₱15.7 million in 2021, resulting in accumulated deficit amounting to ₱1,877.2 million and ₱1,862.6 million as at December 31, 2022 and 2021, respectively, and capital deficiency amounting to ₱703.9 million and ₱689.0 million as at December 31, 2022 and 2021, respectively. Also, the Parent Company's current liabilities exceeded its current assets by ₱1,545.8 million and ₱1,529.7 million as at December 31, 2022 and 2021, respectively. These conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern.

To address the condition, the Company is in the process of financial restructuring as discussed below.

In 2002, the SEC issued Order of Revocation of the Parent Company's Registration of Securities and Permit to Sell Securities to the public.

Following the cessation of its operation in 2005, the operations of the Company is now primarily focused on leasing of its investment properties.

On October 24, 2016, the PSE 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 ₱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 Parent Company 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 Parent Company'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:

- Financial restructuring subject to Philippine SEC approval;
- Development of the Sta. Rosa property; and
- 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:

1. Reduction of par value from ₱5.00 per share to ₱2.50 per share
2. 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
3. Reclassification of 33,426,498 Common Shares (Class B) to Preferred Shares

B. Conversion of debt to equity (see Note 12)

On February 18, 2018, the Commission en Banc 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 which was filed on October 30, 2018.

On July 23, 2019, the Parent Company filed its application for amendment of AOI with the SEC. On September 25, 2019, The SEC provided their initial comments on the application for amendment of AOI.

On November 11, 2021, the BOD approved the further amendments in the Seventh Article of the AOI which revoked and superseded September 21, 2018 resolutions approving the amendments to the Seventh Article of the AOI. The BOD approved the following:



1. Decrease in Authorized Capital Stock and Reclassification or Conversion of 33,426,498 Class B Shares into 33,426,498 Preferred Shares

This include the following approvals of the BOD:

- a. Reduction in the par value of all common shares from ₱5.00 per share to ₱0.50 per share,
- b. Decrease in the authorized capital stock from ₱1,200,000,000 to ₱120,000,000, and
- c. Classification of capital contributed in excess of the reduced par value as additional paid in capital
- d. Reclassification of the 33,426,498 Class B common shares held by Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments), a company incorporated in Singapore and a related party, into 33,426,498 Preferred Shares with the following features:
  - i. Preemptive Right – The Preferred Shareholders shall have preemptive rights to subscribe to new shares in proportion to their respective shareholding ratios
  - ii. Dividends – The Preferred Shareholders shall bear preferential dividends at the rate of 5% per annum of total debt converted in the amount of ₱1,389,961,828.
  - iii. Exercise of Voting Right – The Preferred Shareholders shall not have a right to vote, except on matters specified in Section 6 of the Revised Corporation Code of the Philippines and those relative to the development of the Sta. Rosa Property; and
  - iv. Convertibility – The Preferred Shareholders shall, at their option, have the right to convert their preferred shares to common shares using 16.78:1 conversion ratio at ₱0.50 per share.

2. Increase in Capital Stock

The BOD approved the increase of the Parent Company's authorized capital stock from ₱120,000,000 to ₱647,306,477 which consists of:

- a. 440,229,812 Class "A" common shares with par value of ₱0.50 per share, or an aggregate par value of ₱220,114,906;
- b. 293,486,507 Class "B" common shares with a par value of ₱0.50 per share, or an aggregate par value of ₱146,743,253.50; and
- c. 33,426,498 Preferred Shares, with a par value of ₱8.39 per share (increased from ₱0.50), or an aggregate par value of ₱280,448,318, with Malaysia Garments subscribing to the increase in the par value of the 33,426,498 Preferred Shares amounting to ₱263,735,069 by way of converting debt owed to it by the Corporation as of December 31, 2020 amounting to ₱1,389,961,828 to equity, with the excess of the debt over the par value of preferred shares recorded as Additional Paid In Capital

The BOD also approved the subscription by Malaysia Garments to the increase in the par value of the 33,426,498 Preferred Shares, and the conversion of debt owed to it by the Parent Company as of December 31, 2020 amounting to ₱1,389,961,828 to equity as payment for the aforesaid 33,426,498 Preferred Shares with the excess of the debt over the par value of preferred shares recorded as Additional Paid In Capital.

3. Use of Additional Paid in Capital to Wipe Out Deficit

The BOD approved the use of the Additional Paid In Capital resulting from: (a) the existing Additional Paid in Capital; (b) the decrease of capital through the reduction of par value; and (c) the conversion of the existing liability to Malaysia Garments to wipe out all the accumulated deficit of the Parent Company.



On November 11, 2021, management filed the final restructuring project to SEC. Prior to submission of the project, management has already agreed the conversion of debt with its creditors and legal counsel. Management is securing all the necessary documents such as Deed of assignment to creditor and Director's certificate to support the final restructuring by SEC.

On May 30, 2022, a Deed of Assignment on the loan was entered between Malaysia Garment and the Parent Company in which the former unconditionally and irrevocably assigns, cedes, transfers and conveys unto the Parent Company all of its title, right and interests to receive the payment for the debt as payment for the subscription price, thereby converting the debt into equity. The debt-to-equity conversion is yet to be executed as at April 28, 2023.

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.

On March 29, 2023, management completed all the aforementioned documents required by the SEC. On April 4, 2023, the Parent Company was notified by the SEC that it is ready to issue its assessment on the planned restructuring project upon issuance of the SEC-Markets and Securities Regulation Department (MSRD) clearance. Thereafter, a Payment Request Form will then be issued to the Parent Company, which will signify acceptance of the SEC on the application to proceed with filing.

*Notice of Involuntary Delisting*

On February 3, 2023, the Parent Company received a Notice of Involuntary Delisting from the Philippine Stock Exchange (PSE).

On April 3, 2023, representatives of the Parent Company participated in a hearing conducted by the Exchange relating to the involuntary delisting proceedings involving the Parent Company. The Parent Company then requested the Exchange that the involuntary delisting proceedings be suspended; and it be allowed to complete the requirements for its amended registration statement and application for the financial restructuring plan with the Securities and Exchange Commission until the end of 2023.

The grounds for the initiation of involuntary delisting proceedings involving Parent Company are due to the (a) revocation of its registration of securities and permit to sell securities; and (b) negative stockholders' equity.

In the said hearing, the Parent Company raised the following arguments:

- a. There was no obstinate refusal on the part of the Parent Company to comply with the directives of the Exchange and the Securities and Exchange Commission ("SEC").
- b. The Parent Company, in utmost good faith, exerted serious efforts to comply with the SEC directives. All the corporate actions of Parent Company on the matter were timely and promptly disclosed to the Exchange.
- c. The SEC-Markets and Securities Regulation Department ("MSRD") will only act on the Parent Company's amended registration statement after the approval of the Parent Company's financial restructuring plan being reviewed by the SEC- Financial Analysis and Audit Division ("FAAD").
- d. The Parent Company will file its amended registration statement after it secures the SEC's approval of its financial restructuring plan. Thereafter, the Parent Company will request SEC-MSRD to issue the corresponding Order Lifting the Order of Revocation dated August 26, 2002 against the Parent Company.
- e. The conversion of the Parent Company's obligation to one of the Corporation's major creditors, Malaysia Garment Manufacturers Pte. Ltd, amounting to One Billion Three Hundred Eighty-Nine



Million Nine Hundred Sixty-One Thousand Eight Hundred Twenty-Eight Pesos (Php1,389,961,828.00) into equity has effectively wiped-out the deficit amounting to Six Hundred Eighty-Nine Million Thirty-One Thousand One Hundred Forty-Six Pesos (Php689,031,146.00). The debt-to-equity conversion is part of the financial restructuring plan being carried out by the Parent Company. The deficit would have been wiped-out had the SEC-FAAD approved the Parent Company's financial restructuring plan.

- f. The involuntary delisting will be prejudicial to the Parent Company's stockholders who have been expecting that the trading suspension will be lifted soon and the financial restructuring plan approved in light of the actions being actively undertaken by the Parent Company.
- g. In 2019, parallel to its efforts to solve its capital deficiency, the Parent Company incorporated FYN Green PET Corporation ("FYGP"), a 100% wholly owned subsidiary, to provide cash flow and steady stream of revenues. FYGP will commence its commercial operations in May 2023.

The Parent Company therefore requested the Exchange that the involuntary delisting proceedings be suspended; and it be allowed to complete the requirements for its amended registration statement and application for the financial restructuring plan with the Securities and Exchange Commission until the end of 2023.

#### Authorization for Issuance of the Parent Company Financial Statements

The financial statements of the Parent Company as at and for the years ended December 31, 2022 and 2021 were authorized for issuance by the Parent Company's BOD on April 28, 2023.

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## **2. Basis of Preparation and Summary of Significant Accounting Policies**

### Basis of Preparation

The parent company financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs).

The parent company financial statements have been prepared using the historical cost basis and are presented in Philippine peso which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso except when otherwise indicated.

The Parent Company prepares and issues consolidated financial statements for the same period as the parent company financial statements and are presented in accordance with PFRSs. The consolidated financial statements of the Parent Company are filed and may be obtained from the SEC.

### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3,



*Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.



#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

##### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

##### *Effective beginning on or after January 1, 2025*

- 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*

#### Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the financial reporting period.

The Parent Company classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the end of the financial reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and short-term investments. Cash in banks are savings and current accounts which earn interest at respective deposit 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 one entity and a financial liability or equity instrument of another entity.

#### a. Financial Assets

##### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient, the Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely 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 fair value through profit or loss, irrespective of the business model.

The Parent Company'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 fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

##### *Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

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 profit or loss when the asset is derecognized, modified or impaired.

As at December 31, 2022 and 2021, the Parent Company's financial assets at amortized cost pertains to cash and cash equivalents, refundable deposits under 'prepayments and other current assets' and advances to subsidiaries. The Company has no financial assets at fair value through OCI and financial assets at fair value through profit or loss as at December 31, 2022 and 2021.



### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Parent Company has transferred its rights to receive the 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 (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Where the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company 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 Parent Company has retained.

### *Impairment*

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. 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 (SICR) 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 trade and other receivables and due from related parties, the Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company 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.

For cash, the Parent Company 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 Parent Company 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.

The Parent Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the



Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Determining the stage for impairment*

At each reporting date, the Parent Company assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

*Staging assessment*

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

b. 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.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities are in the nature of payables. As at December 31, 2022 and 2021, the Parent Company 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*

After initial recognition, payables 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 as finance costs in the statement of comprehensive income.

This accounting policy applies to the Parent Company's accounts and other payables, restructured loans and loans payable to a stockholder.

### *Derecognition*

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.

### c. Offsetting of Financial Instruments

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

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



All assets and liabilities for which fair value is measured or disclosed in the 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 which has a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 - Valuation techniques which the lowest-level input has a significant effect on the recorded fair value that are not based on observable market data.

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

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

#### Prepayments and Other Current Assets

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 Parent Company under its registration with the Board of Investments (BOI). 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 the Parent Company by its suppliers for the purchase of domestic services 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 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 statement of financial position to the extent of the recoverable amount.

#### Investments in Subsidiaries and Associates

##### *Investments in Subsidiaries*

A subsidiary is an entity over which the Parent Company has control. 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. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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



The Parent Company's investment in subsidiaries is accounted for under the cost method of accounting. Under the cost method, investment is recognized at cost less impairment loss, if any. Income from the investment is recognized only to the extent that the investor receives distributions from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of investment.

The Parent Company provides advances to its subsidiaries for working capital requirements. Such advances recorded in the books of the Parent Company are deemed as part of the investment in subsidiaries. Percentage of ownership by the Parent Company in its subsidiaries is as follows:

<u>Subsidiaries</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>
FYN Green PET Corporation (FYGP)	Manufacturing	100.00%
Island King Aquaventures Corporation (IKAC)	Leasing	77.08%
SRTC Development Corporation (SRTC)	Under liquidation	56.98%

#### *Investments in Associates*

An associate is an entity over which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Parent Company's investment in associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Parent Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Parent Company's share of the results of operations of the associate. Any change in other comprehensive income of associate is presented as part of the Parent Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Parent Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

#### 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 parent company statement of comprehensive income in the year of retirement or disposal.

A transfer is made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Under the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement of disclosure purposes.

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

#### Impairment of Nonfinancial Assets

The Parent Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Parent Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Parent Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been



recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

#### Capital Stock

The Parent Company has issued common shares that are classified as equity.

#### Deficit

Deficit 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.

#### Other Comprehensive Income (OCI)

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

#### Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customers.

#### *Rental Income*

Revenue from rental of leased property is recognized in the parent company 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 accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized in the statements of comprehensive income when these are incurred.

#### Leases

The Parent Company 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.

#### *Parent Company as Lessor*

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease receipts are recognized as income on the statement of comprehensive income using straight-line method 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 Parent Company 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 parent company 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 other comprehensive income or equity is recognized in other comprehensive income or equity and not in statement of comprehensive income.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax 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 as 'Interest expense' or 'Interest income' in the parent company 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 Parent Company, nor can they be paid directly to the Parent Company. 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 Parent Company'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 Parent Company 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 Parent Company's financial statements are presented in Philippine peso, which is also the Parent Company's functional currency.

Transactions in foreign currencies are initially recorded by the Parent Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss 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).

#### Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting period and adjusted to reflect the amount of best estimate.

#### Contingencies

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

#### Basic/ Diluted Loss Per Share

Earnings (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 earnings (loss) per share is calculated by dividing the profit (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.



#### Events After the End of the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the end of reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

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### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Parent Company's 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 judgments, 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. However, actual outcome can differ from these estimates.

#### Judgments

In the process of applying the Parent Company'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 parent company financial statements.

#### *Lease Commitments -Parent Company as Lessor*

The Parent Company has entered into commercial property leases on its investment property. The Parent Company has determined that it retains all the significant risk and rewards of ownership of these properties and accounts for them as operating leases. Rental income amounted to ₱54.0 million and ₱51.2 million in 2022 and 2021, respectively (see Note 14).

#### 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 Parent Company 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 Parent Company. 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 below:

#### *Estimation of Allowance for Impairment Losses on Investments in and Advances to Subsidiaries*

The Parent Company assesses whether there are any indicators of impairment for investments in and advances to subsidiaries and investments in associates at each end of 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 asset is written down to its recoverable amount.



Further details on the investments in and advances to subsidiaries is provided in Notes 7 and 8.

*Determination of Retirement Plan Assets*

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Retirement plan assets as December 31, 2022 and 2021 amounted to ₱26.5 million and ₱26.9 million, respectively (see Note 18).

*Assessment of Realizability of Deferred Tax Assets*

The Parent Company 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.

Information on the Parent Company's deferred assets is in Note 16.

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#### 4. Cash and Cash Equivalents

	<b>2022</b>	2021
Cash on hand	<b>₱35,000</b>	₱35,000
Cash in banks	<b>53,089,404</b>	33,877,581
Short-term investments	<b>2,163,333</b>	2,163,333
	<b>₱55,287,737</b>	₱36,075,914

Cash in banks earns interest at current bank deposit rates. Short-term investments are made for varying periods up to three months, depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term deposit rates.



Interest income earned from cash in banks and short-term investments amounted to ₱42,981 and ₱37,659 in 2022 and 2021, respectively.

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5. **Trade and Other Receivables**

	2022	2021
Trade and other receivables	₱3,678,473	₱2,108,254
Advances to officers and employees	928,517	968,315
	<b>₱4,606,990</b>	<b>₱3,076,569</b>

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

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6. **Prepayments and Other Current and Noncurrent Assets**

Prepayments and other current assets

	2022	2021
Input VAT	₱1,034,496	₱670,835
Prepaid rent (Note 14)	757,588	2,051,944
Refundable deposits	295,067	278,267
	<b>₱2,087,151</b>	<b>₱3,001,046</b>

Input VAT pertains to the VAT on domestic purchases of the Parent Company.

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

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7. **Investments in and Advances to Subsidiaries - net**

	2022	2021
Investments in subsidiaries		
Acquisition costs:		
IKAC	₱48,243,130	₱48,243,130
FYN Green	25,000,000	25,000,000
SRTC	19,247,202	19,247,202
	<b>92,490,332</b>	<b>92,490,332</b>
Advances to subsidiaries (Note 17)	94,880,946	93,369,007
	<b>187,371,278</b>	<b>185,859,339</b>
Less allowance for impairment losses	153,404,130	153,404,130
	<b>₱33,967,148</b>	<b>₱32,455,209</b>



As at December 31, 2022 and 2021 the parent company's subsidiaries are as follows:

<u>Subsidiaries</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>
FYN Green PET Corporation (FYN Green)	Manufacturing	100.00%
Island King Aquaventures Corporation (IKAC)	Leasing	77.08%
SRTC Development Corporation (SRTC)	Under liquidation	56.98%

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 Dasmarias City, Cavite.

An allowance for impairment losses on investments in and advances to subsidiaries was provided because these investees, IKAC and SRTC, have negative net worth and have suspended their operations.

On November 22, 2001, the BOD and stockholders of SRTC approved the amendment of SRTC's Articles of Incorporation to shorten its life until December 31, 2001. Subsequently, SRTC declared advance liquidating dividends to its stockholders. Advance liquidating dividends received from SRTC were recognized by the Parent Company as a reduction in its investment in SRTC. On September 25, 2014, the BOD and stockholders of SRTC approved the amendment of the Parent Company's Articles of Incorporation to shorten its life until December 31, 2014. This approval superseded the approval made in 2001. The Company has yet to complete the requirements for its liquidation.

On June 6, 2019, the SEC issued the certificate of incorporation of the FYN Green PET Corporation, wholly owned subsidiary of the Parent Company. During the year, the Parent Company invested in the wholly owned subsidiary to carry out the business activity for recycling PET within the Philippine Economic Zone Authority amounting to ₱25,000,000. Advances to subsidiary amounted to ₱8,849,250 and ₱7,455,210 as at December 31, 2022 and 2021, respectively (see Note 17).



## 8. Other Noncurrent Assets

	2022	2021
CWTs	<b>₱58,353,860</b>	₱58,353,860
Investments in Associates:		
Filsyn International Corporation	<b>2,067,500</b>	<b>2,067,500</b>
Lefilton Trading	<b>200,000</b>	<b>200,000</b>
Lakeview Industrial Corporation	<b>1</b>	<b>1</b>
	<b>60,621,361</b>	60,621,361
Less allowance for impairment losses	<b>60,621,360</b>	60,621,360
	<b>₱1</b>	<b>₱1</b>

CWT pertains to unapplied certificates which can be used to pay for future income tax payments.

Investments in associates are investees that are dormant and non-operating. As at December 31, 2022 and 2021, the Parent Company's investments in associates have been impaired.

## 9. Investment Properties - at deemed cost

Investment properties of the Parent Company consist of land in Laguna and Cavite which are being leased to third parties, as follows:

- a. Parcel of land located in Sta. Rosa, Laguna with a total land area of 300,018 square meters (sqm). This investment property is mortgaged in connection with the MTI discussed in Note 11.
- b. Parcel of land located in Gen. Mariano Alvarez, Cavite with a total land area of 162,716 sqm.

In adopting the cost model, the Parent Company 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 ₱14.9 million. As at December 31, 2022 and 2021, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱883.9 million which arose when the Parent Company transitioned to PFRS in 2005.

Based on the latest valuation report from Asian Appraisal as of February 17, 2023, the details of the fair value of parcels of lands as at are as follows:

Location	Deemed Cost	Fair Value	Observable Input	Total Land Area	Estimated Fair Value per sqm
Laguna	₱750,045,000	₱3,000,180,000	Price per sqm	300,018 sqm	₱10,000
Cavite	148,612,147	520,691,000	Price per sqm	162,716 sqm	3,200
	<b>₱898,657,147</b>	<b>₱3,520,871,000</b>			

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.





The Parent Company 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 Parent Company has assessed that the highest and best use of the idle investment property in Gen. Mariano Alvarez, Cavite 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 currently not being used in this manner.

	2022	2021
<i>Sta. Rosa, Laguna</i>		
Rental income	<b>₱54,012,272</b>	₱51,244,845
Real property taxes	<b>3,791,018</b>	3,740,625
Repairs and maintenance	<b>2,250,480</b>	40,229
<i>Gen. Mariano Alvarez, Cavite</i>		
Real property taxes	<b>₱937,244</b>	₱937,244

#### 10. Accounts and Other Payables

	2022	2021
Accounts payable	<b>₱5,134,834</b>	₱4,630,872
Accrued interest – related party (Notes 16 and 17)	<b>489,193,118</b>	471,661,145
Nontrade payables	<b>995,260</b>	2,261,926
Customer’s deposits	<b>7,527,821</b>	6,786,147
Government payables	<b>51,508</b>	99,087
Others	<b>422,826</b>	571,942
	<b>₱503,325,367</b>	₱486,011,119

Accounts payables represent obligations of the Parent Company which are generally non-interest bearing and are settled on 30 to 90 days’ terms.

Accrued interest pertains to interest payable of the Parent Company from its outstanding loans to Malaysia Garment and are payable on demand (see Note 17). Accrued interest on these loans amounted to ₱489.2 million and ₱471.7 million as at December 31, 2022 and 2021, respectively, out of which interest amounting to ₱388.1 million will form part of the restructured loans subject to financial restructuring (see Note 11).

Nontrade payables are noninterest bearing payable to various sources and are normally settled on a 30 days’ term.

Refundable customers’ deposits pertain to rental deposits from the lessees to the Parent Company which will be refunded upon expiration of the lease term.

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

Others pertains 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.



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## 11. Restructured Loans

As at December 31, 2022 and 2021, the Parent Company has debts secured by Mortgage Trust Indenture (MTI) amounting to ₱930,132,682.

The Parent Company's debts bear fixed interest rate of 12.03% per annum and are secured by a MTI dated October 29, 1982 covering the Parent Company's investment property situated in Sta. Rosa, Laguna (see Note 9). 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 Parent Company, 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 Parent Company entered into an Agreement with its bank creditors and a supplier (collectively known as "creditors") wherein the Parent Company 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 Parent Company's land in Sta. Rosa, Laguna in a private sale (without the need of prior consent of the Parent Company 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 Parent Company 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 Parent Company shall appoint an independent appraiser to determine the price at which the land may be sold.

The Agreement also provides that the Parent Company assigns in favor of the creditors its shares of stock in 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 Parent Company 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 Parent Company 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 has approved to offer the Parent Company'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 Parent Company to fully settle its outstanding loan obligation amounting to ₱1,310,000,000 through the Sta. Rosa property as dation in payment. Chinatrust agreed that the Parent 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 "dacion en pago" did not materialize and the ownership of the loan was transferred to Chuang Yuan Limited, a company incorporated in Taiwan.

On August 27, 2018, Chuang Yuan Limited sold the loan to Malaysia Garments, a company incorporated in Singapore and a related party (see Note 19).

In September 2018, the BOD approved a financial restructuring plan that includes the conversion of restructured loans and related accrued interest to equity in the form of additional paid in capital (see Note 1).

On September 21, 2022, the Parent Company's lawyers met with the SEC to discuss the latter's initial comments on the revised financial structuring plan. The revised restructuring plan was subjected to further review pending additional documents requested by the SE. these documents were provided on November 7, 2022.

On February 3, 2023, the Company received a Notice of Involuntary Delisting from the PSE. The Company has responded to the queries raised on their meeting with PSE. The PSE is still in the process of deliberation on the matter.

On April 4, 2023, the Parent Company was notified by the SEC that it is ready to issue its assessment on the planned restructuring project upon issuance of the SEC-Markets and Securities Regulation Department (MSRD) clearance. Thereafter, a Payment Request Form will then be issued to the Parent Company, which will signify acceptance of the SEC on the application to proceed with filing

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## 12. Capital Stock

As at December 31, 2022 and 2021, the Parent Company's capital stock is shown below:

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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
	<hr/>
	₱1,031,230,905

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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.

As of December 31, 2022 and 2021, there is a total of 206,246,181 common stocks outstanding, which are currently not available for trading. There are 515 and 516 shareholders of the Parent Company's common stocks as at December 31, 2022 and 2021, respectively.

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

<u>Date of SEC Approval</u>	<u>Authorized Shares</u>	<u>Number of Shares Issued</u>	<u>Issue/ Offer Price</u>
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

As disclosed in Note 1, 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. As of April 28, 2023, 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.

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### 13. **Income (Loss) per share**

	<b>2022</b>	2021
Net income (loss)	<b>(₱14,629,939)</b>	₱15,741,934
Weighted average number of common shares issued and outstanding during the year	<b>206,246,181</b>	206,246,181
<b>Basic/Diluted income (loss) per share</b>	<b>(₱0.0709)</b>	₱0.0763

There were no dilutive shares as at December 31, 2022 and 2021. There have been no other transactions involving common shares between the end of the financial reporting and the date of authorization of the Parent Company financial statements.

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### 14. **Lease Agreements**

#### Parent Company as a lessor

The Parent Company has existing short-term lease agreements with various third parties (lessees) covering the Parent Company'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 amounted to ₱54.0 million and ₱51.2 million in 2022 and 2021, respectively.



Parent Company as a lessee

The Parent Company entered principally into a lease contract wherein the Parent Company will lease the lessor's commercial space located at The Pearlbank Centre, Salcedo Village, Makati City 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 previous years, the contract was renewed for a period of one year with no rent escalation. In December 2022, the contract was renewed for another year with no rent escalation.

Total rental expense amounted to ₱1.2 million and ₱1.5 million in 2022 and 2021, respectively (see Note 15). Prepaid rent amounted to ₱0.8 million and ₱2.1 million as at December 31, 2022 and 2021, respectively (see Note 6).

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**15. Costs and Expenses**

	2022	2021
Professional fees	₱6,577,171	₱3,761,213
Taxes and licenses	5,287,082	5,296,155
Security services	4,207,179	5,609,572
Salaries and wages	2,753,796	1,585,068
Employee benefits	2,660,793	867,778
Repairs and maintenance	2,250,480	40,229
Rentals	1,174,281	1,450,503
Utilities	1,091,728	2,780,004
Subscriptions, dues and donations	811,205	250,000
Contractual laborer	470,903	89,742
Entertainment, amusement and recreation	285,668	207,924
Transportation and travel	154,650	397,872
Retirement Expense	86,567	86,567
Office supplies	84,364	141,845
Others	1,725,577	2,422,962
	<b>₱29,621,444</b>	<b>₱24,987,434</b>

Other expenses is composed of miscellaneous expenses, insurance expenses and other minimal expenses.

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**16. Income Taxes**

Current income tax

The provision for current income tax represents regular corporate income tax in 2022 and 2021. The reconciliation of income tax computed at the statutory income tax rate to provision for current income tax as shown in the Parent Company statements of comprehensive income follows:

	2022	2021
Tax at statutory income tax rate	(₱2,130,230)	(₱328,577)
Add (deduct) tax effects of:		
Nondeductible expenses	4,684,243	4,906,357
Movement in unrecognized deferred tax assets	3,565,750	2,232,000
Interest income already subjected to final tax	(10,745)	(9,415)
Effect of change in tax rate	-	(23,856,607)
	<b>₱6,109,018</b>	<b>(₱17,056,242)</b>



Deferred income tax

The Parent Company has temporary differences for which no deferred tax assets were recognized as it is not probable that sufficient future taxable income will be available against which the benefits of the deferred tax assets can be utilized.

	2022	2021
Allowance for impairment losses on investments in and advances to subsidiaries and associates	<b>₱155,671,630</b>	₱155,671,630
Unrealized foreign exchange losses	<b>14,268,000</b>	91,923,858
Accrued interest	<b>489,193,118</b>	471,661,145
	<b>₱659,132,748</b>	₱719,256,633

The components of recognized deferred tax liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
Investment properties	<b>₱110,644,498</b>	₱110,644,498
Retirement plan assets	<b>6,629,450</b>	6,730,325
	<b>₱117,273,948</b>	₱117,374,823

## 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 Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company, 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.

In the normal course of business, transactions with related parties consist mainly of unsecured non-interest bearing, short-term cash advances for working capital requirements of the Parent Company, which are due upon demand.

Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Stockholder</b>				
<b>Trans-Pacific Oriental Holding Company, Inc. (Trans-Pacific)</b>				
Loan payable				
<b>2022</b>	<b>₱14,268,000</b>	<b>₱167,265,000</b>	Non-interest bearing until 2019, payable on demand; to be settled in cash	Unsecured and unguaranteed
2021	8,928,000	152,997,000		
Due to a related party				
<b>2022</b>	<b>₱6,000,000</b>	<b>₱6,000,000</b>	Non-interest bearing payable on demand; to be settled in cash	Unsecured and unguaranteed
2021	-	-		

(Forward)



Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Malaysia Garment</b>				
Restructured loans (Note 11)				
<b>2022</b>	<b>₱-</b>	<b>₱930,132,682</b>	Subject to financial restructuring	Secured by first and second MTIs
2021	-	930,132,682		
Accrued interest payable (Note 10)				
<b>2022</b>	<b>₱18,731,973</b>	<b>₱489,193,118</b>	Portion is subject to financial restructuring; payable in cash	Unsecured and unguaranteed
2021	₱18,731,999	₱471,661,145		
<b>Subsidiaries - Advances to subsidiaries (Note 7)</b>				
<b>IKAC</b>				
<b>2022</b>	<b>₱36,899</b>	<b>₱85,950,696</b>	Interest bearing	Unsecured and unguaranteed; Impaired
2021	₱-	85,913,797		
<b>FYN Green</b>				
<b>2022</b>	<b>₱1,394,040</b>	<b>₱8,849,250</b>	Non-interest bearing, collectible on demand, to be collected in cash	Unsecured and unguaranteed
2021	₱1,038,017	₱7,455,210		
<b>SRTC</b>				
<b>2022</b>	<b>₱81,000</b>	<b>₱81,000</b>	Non-interest bearing, collectible on demand, to be collected in cash	Unsecured and unguaranteed
2021	₱-	₱-		

The Parent Company availed of working capital US\$-denominated loan in 1993 amounting to ₱167.3 million from Trans-Pacific, a major stockholder, with fixed interest rate. In 2001, the loan payable was modified to cease the accrual of the interest. The loan payable amounting to US\$3.0 million (₱167.3 million and ₱153.0 million as at December 31, 2022 and 2021, respectively) remains to be outstanding. Unrealized foreign exchange loss was recognized from the loan amounting to ₱14.3 million in 2022, while unrealized foreign exchange gain was recognized amounting to ₱8.9 million in 2021.

Total interest expense amounted to ₱18.7 million as at December 31, 2022 and 2021 of which interest payment of ₱1.2 million was made in 2022 and nil in 2021.

#### Compensation of Key Management Personnel

The Parent Company considered all employees holding managerial positions up to president as key management personnel. Compensation of key management personnel, which consist of short-term and employee benefits, amounted to ₱0.9 million in 2022 and 2021.

### 18. Retirement Plan Assets

The Parent Company 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, 2022 and 2021.

Under the existing regulatory framework, RA 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 Parent Company's plan is a noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and years of service.

The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Committee is responsible for the investment strategy of the plan.





The following table summarizes the details in the Actuarial Valuation Report as at December 31, 2022 and 2021.

	2022						
	Net Benefit Cost in Profit or Loss			Remeasurements in Other Comprehensive Income			
	January 1, 2022	Current Service Cost	Subtotal	Return on plan assets	Actuarial Loss (Gains) on Defined Benefit Obligation	Subtotal	December 31, 2022
Present value of defined benefit obligation	₱3,694,821	₱86,567	₱86,567	₱-	(₱125,465)	(₱125,465)	₱3,655,923
Fair value of plan asset	(30,616,124)	-	-	442,398	-	442,398	(30,173,726)
Net plan assets	(₱26,921,303)	₱86,567	₱86,567	₱442,398	(₱125,465)	₱316,933	(₱26,517,803)

	2021						
	Net Benefit Cost in Profit or Loss			Remeasurements in Other Comprehensive Income			
	January 1, 2021	Current Service Cost	Subtotal	Return on plan assets	Actuarial Loss (Gains) on Defined Benefit Obligation	Subtotal	December 31, 2021
Present value of defined benefit obligation	₱3,608,254	₱86,567	₱86,567	₱-	₱-	₱-	₱3,694,821
Fair value of plan asset	(30,839,642)	-	-	223,518	-	223,518	(30,616,124)
Net plan assets	(₱27,231,388)	₱86,567	₱86,567	₱223,518	₱-	₱223,518	(₱26,921,303)

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The trustee has no specific matching strategy between the plan assets and the retirement obligation. The Parent Company is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Parent Company's discretion.



The carrying value and fair value of plan assets by each class as at the end of the reporting period are as follow:

	2022	2021
Cash	₱1,747,738	₱1,466,184
Government securities	28,345,576	29,087,797
Accrued income receivable	126,806	115,675
Equity securities	-	-
Trust fee payable	(46,394)	(53,532)
	<b>₱30,173,726</b>	<b>₱30,616,124</b>

The plan assets have diverse investments in equity and debt securities, and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefit liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2022	2021
Discount rates	+1%	₱3,633,057	₱3,670,513
	-1%	₱3,679,161	3,694,821
Salary increase rate	+1%	₱3,692,121	3,731,403
	-1%	₱3,619,726	3,658,239

Shown below is the maturity analysis of the undiscounted benefit payments:

	2022	2021
Less than one year	₱3,777,0133	₱3,755,859

#### Retirement fund

The Parent Company entered into a Trust Agreement with BPI Asset Management for the latter to serve as a trustee for the Parent Company's retirement fund. The carrying amount equals the fair value of the retirement fund amounting to ₱30.2 million and ₱30.6 million as at December 31, 2022 and 2021, respectively. There were no any other transactions between the Parent Company and the retirement fund trustee.

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## 19. Financial Risk Management Objectives and Policies and Capital Management

### Financial Risk Management Objectives and Policies

The Parent Company'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 Parent Company's operations. The Parent Company 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 Parent Company 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 Parent Company may incur financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Parent Company



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 Parent Company's exposure to impairment losses is not significant. There is no significant concentration of credit risk in the Parent Company.

The Parent Company has three types of financial assets that are subject to the expected credit loss model which is cash and cash equivalents, receivables and amounts owed by related parties.

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, 2022, 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 Parent Company's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2022 and 2021.

	2022	2021
Cash and cash equivalents:		
Cash in banks	<b>₱53,089,404</b>	₱33,877,581
Short-term investments	<b>2,163,333</b>	2,163,333
Refundable deposits	<b>295,068</b>	278,268
Trade and other receivables	<b>4,606,989</b>	3,076,569
Advances to subsidiaries	<b>8,849,250</b>	7,455,210
	<b>₱69,004,044</b>	₱46,850,961

The aging analysis of financial assets follows:

	2022				
	Days Past Due				
	Current	60 Days	180 Days or more	ECL	Total
Cash in bank	₱53,089,404	₱-	₱-	₱-	₱53,089,404
Cash equivalents	2,163,333	-	-	-	2,163,333
Refundable deposits	295,068	-	-	-	295,068
Trade and other receivables	4,606,989	-	-	-	4,606,989
Advances to subsidiaries	8,849,250	-	-	86,031,696	94,880,946
	<b>₱69,004,044</b>	<b>₱-</b>	<b>₱-</b>	<b>₱86,031,696</b>	<b>₱155,035,740</b>

	2021				
	Days Past Due				
	Current	60 Days	More than 180 Days	ECL	Total
Cash in bank	₱33,877,581	₱-	₱-	₱-	₱33,877,581
Cash equivalents	2,163,333	-	-	-	2,163,333
Refundable deposits	278,268	-	-	-	278,268
Trade and other receivables	3,076,569	-	-	-	3,076,569
Advances to subsidiaries	7,455,210	-	-	85,913,797	93,369,007
	<b>₱46,850,961</b>	<b>₱-</b>	<b>₱-</b>	<b>₱85,913,797</b>	<b>₱132,764,758</b>



*General approach*

Set out below is the credit risk of the financial assets under General approach.

	2022				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
	<i>(In Thousands)</i>				
Cash in bank	<b>₱53,089,404</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱53,089,404</b>
Short term investments	2,163,333	-	-	-	2,163,333
Refundable deposits	295,068	-	-	-	295,068
Trade and other receivables	4,606,989	-	-	-	4,606,989
Advances to subsidiaries	8,849,250	-	86,031,696	-	94,880,946
	<b>₱69,004,044</b>	<b>₱-</b>	<b>₱86,031,696</b>	<b>₱-</b>	<b>₱155,035,740</b>

\* Excluding cash on hand amounting to ₱0.35M

	2021				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
	<i>(In Thousands)</i>				
Cash in bank	₱33,877,581	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	₱33,877,581
Short term investments	2,163,333	-	-	-	2,163,333
Refundable deposits	278,268	-	-	-	278,268
Trade and other receivables	3,076,569	-	-	-	3,076,569
Advances to subsidiaries	7,455,210	-	85,913,797	-	93,369,007
	<b>₱46,850,961</b>	<b>₱-</b>	<b>₱85,913,797</b>	<b>₱-</b>	<b>₱132,764,758</b>

\* Excluding cash on hand amounting to ₱0.35M

*Simplified approach*

There were no significant concentrations of credit risk using simplified approach within the Parent Company

*Liquidity Risk*

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

The Parent Company seeks to manage its liquid funds through cash planning on a monthly basis. The Parent Company 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, 2022 and 2021 which are all due and demandable:

2022	On Demand	Within one Year	Over one Year	Total
<i>Financial liabilities*</i>				
Accounts and other payables	<b>₱502,325,366</b>	<b>₱-</b>	<b>₱-</b>	<b>₱502,325,366</b>
Restructured loans	930,132,682	-	-	930,132,682
Loans payable to a stockholder	167,265,000	-	-	167,265,000
	<b>₱1,599,723,048</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,599,723,048</b>

2021	On Demand	Within one Year	Over one Year	Total
<i>Financial liabilities*</i>				
Accounts and other payables	₱485,912,032	<b>₱-</b>	<b>₱-</b>	₱485,912,032
Restructured loans	930,132,682	-	-	930,132,682
Loans payable to a stockholder	152,997,000	-	-	152,997,000
	<b>₱1,569,041,714</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,569,041,714</b>

\*Excluding government payables



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 interest rates, foreign currency exchange rates, equity prices and other market changes.

*Foreign Currency Risk*

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

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Company 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 Parent Company is engaged.

The Parent Company's foreign currency-denominated financial asset and liability as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	USD	Peso Equivalent	USD	Peso Equivalent
<i>Financial Liability</i>				
Loans payable to a stockholder	<b>(\$3,000,000)</b>	<b>(₱167,265,000)</b>	(\$3,000,000)	(₱152,997,000)
<b>Net financial liability</b>	<b>(\$3,000,000)</b>	<b>(₱167,265,000)</b>	<b>(\$3,000,000)</b>	<b>(₱152,997,000)</b>

As at December 31, 2022 and 2021, the exchange rates of the Philippine peso to the US\$ are ₱55.76 and ₱51.00 to US\$1.00 respectively.

The sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Parent Company's income before tax as at December 31, 2022 and 2021 is as follows:

	Change in foreign exchange rate	Effect in loss before income tax
<b>2022</b>	<b>+0.60</b>	<b>(₱1,800,000)</b>
	<b>-0.60</b>	<b>1,800,000</b>
2021	+0.65	(₱1,950,000)
	-0.31	930,000

Capital Management

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

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company 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, 2022 and 2021. The Parent Company has no to externally imposed capital requirement.



As at July 1, 2021, the BOD agreed to maintain the Parent Company's operations at status quo; i.e., continue with the asset disposal programs and lease out the Parent Company's warehouse in Sta. Rosa, Laguna and to look for a potential partner for a joint venture agreement.

The following table summarizes the total capital considered by the Parent Company:

	2022	2021
Capital stock	<b>₱1,031,230,905</b>	₱1,031,230,905
Additional paid-in capital	<b>143,589,745</b>	143,589,745
Remeasurement loss on retirement plan assets	<b>(1,537,790)</b>	(1,300,089)
Deficit	<b>(1,877,181,645)</b>	(1,862,551,707)
	<b>(₱703,989,785)</b>	(₱689,031,146)

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## 20. Fair Value Measurement

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

### *Cash and Cash Equivalents, Other Receivables 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*

The carrying values of other noncurrent assets approximate their fair values based on the market value of similar lease agreements.

### *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.

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## 21. Operating Segment Information

The primary segment reporting format is determined to be business segments as the Parent Company'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 Parent Company derives revenue from its leasing activities. Management monitors the operating results of its business units.



The following tables present certain information regarding the Parent Company's operating business segments:

	2022		
	Leasing	Others	Total
Revenue	₱54,012,272	₱-	₱54,012,272
Costs and operating expenses	29,621,444	-	29,621,444
Other income (charges) - net	(32,911,749)	-	(32,911,749)
Loss before income tax	(8,520,921)	-	(8,520,921)
Benefit from income tax	(6,109,018)	-	(6,109,018)
Net loss	(₱14,629,939)	₱-	(₱14,629,939)
Other comprehensive income - net of tax	(₱237,700)	₱-	(₱237,700)
<b>Total comprehensive loss</b>	<b>(₱14,867,639)</b>	<b>₱-</b>	<b>(₱14,867,639)</b>
<b>OTHER INFORMATION</b>			
Segment assets	₱1,021,123,977	₱-	₱1,021,123,977
Segment liabilities	1,725,022,761	-	1,725,022,761
Investment in subsidiaries and associates	33,967,148	-	33,967,148

	2021		
	Leasing	Others	Total
Revenue	₱51,244,845	₱-	₱51,244,845
Costs and operating expenses	24,987,434	-	24,987,434
Other income (charges) - net	(27,571,719)	-	(27,571,719)
Loss before income tax	(1,314,308)	-	(1,314,308)
Provision for (benefit from) income tax	(17,056,242)	-	(17,056,242)
Net loss	15,741,934	₱-	15,741,934
Other comprehensive loss - net of tax	(₱167,638)	₱-	(₱167,638)
<b>Total comprehensive loss</b>	<b>₱15,574,296</b>	<b>₱-</b>	<b>₱15,574,296</b>
<b>OTHER INFORMATION</b>			
Segment assets	₱1,000,187,189	₱-	₱1,000,187,189
Segment liabilities	1,689,218,335	-	1,689,218,335
Investment in subsidiaries and associates	32,455,209	-	32,455,209

## 22. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

The Parent Company reported and/or paid the following types of taxes in 2022:

### a. VAT

The Parent Company is a VAT-registered company with output VAT declaration of ₱6.1 million in 2022. The amount of Input VAT claimed broken down into:

Beginning balance	₱670,835
Current year's domestic purchases or payments	447,809
Application	(84,148)
<b>Ending balance</b>	<b>₱1,034,496</b>



b. Taxes and licenses

Real property taxes	₱4,728,262
License and permit fees	557,593
Others	1,227
	<hr/>
	₱5,287,082
	<hr/>

c. Withholding taxes

Expanded	₱415,453
Compensation	134,869
	<hr/>
	₱550,322
	<hr/>

d. Others

The Parent Company has no locally produced or imported excisable item, landed cost of imports, custom duties, tariff fees and documentary stamp tax paid or accrued as at December 31, 2022.

There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and or prosecution in courts or bodies outside the BIR.



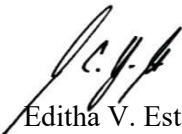


**INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF RECONCILIATION  
OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

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 financial statements of Filsyn Corporation (the Parent Company) as at December 31, 2022 and 2021, and have issued our report thereon dated April 28, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 17, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

April 28, 2023



**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
As of December 31, 2022**

**FILSYN Corporation**

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

<b>Deficit as at December 31, 2021</b>		<b><u>(₱1,862,551,707)</u></b>
<b>Add: Net income actually earned/realized during the year</b>		
Net income (loss) during the year closed to deficit	(14,629,939)	
<b>Less: Non-actual/unrealized income net of tax</b>		
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 (market-to-market gains)	—	
Fair value adjustment of investment property resulting to gain	—	
Recognized deferred tax asset that increased the net income	—	
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	<u>—</u>	
<b>Add: Non-actual losses</b>		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP-loss	—	
Loss on fair value adjustment of investment property	—	
Subtotal	<u>—</u>	
<b>Net income actually earned during the year</b>		<b><u>(14,629,939)</u></b>
<b>Add (Less):</b>		
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	<u>—</u>	<u>—</u>
<b>Deficit as at December 31, 2022, as adjusted</b>		<b><u>(₱1,877,181,646)</u></b>