

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

### **Item 1. Business**

#### **(a) Business Development**

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

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

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

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

On December 14, 1998, Filsyn Corporation entered into an agreement with its various bank creditors and a supplier/shareholder to restructure its overdue and outstanding unsecured obligations totalling to P988 Million that included interests accrued up to April 30, 1998. Under the agreement, the company agreed to give a second mortgage over some of the properties covered by the first MTI to secure the payment of the

said restructured obligations in exchange for the cessation of accrued interest after April 30, 1998. Negotiations are on-going with the MTI creditors in efforts to either finally settle the Company's debt or to have the MTI extended for a renewed term. The first alternative will see the Company paying off the loans with an amount significantly lower than the total outstanding obligation, but acceptable to all parties concerned as the final payments. Should negotiations in this direction fail, management intends to pursue its request for extension of the MTI to stave off foreclosure of the mortgage. Our MTI agreement remains in effect in the absence of formal termination notice from the creditors. It was supposed to have expired in December 2003.

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

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

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

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

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

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

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

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

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

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

1. Approved the Amended Registration Statement and designated the officers authorized to sign the Amended Registration Statement, namely: Mr. Jaime M. Sto. Domingo, President, Mr. David Wang, Executive Vice President & Chief Finance Officer, Mr. Emmanuel C. Paras, Corporate Secretary and Mr. Apolinario L. Posio, Senior Vice President – Accounting and Auditor and Compliance Officer;
2. Authorized the filing of the Amended Registration Statement of the Company with the Securities and Exchange Commission (“SEC”)
3. Approved the Amendment of Seventh Article of the Articles of Incorporation of the Company to reflect the following:
  - i. Reduction of par value from PhP5.00 per share to PhP2.50 per share;
  - ii. Creation of Preferred Shares with the following features:
    - ❖ Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares;
    - ❖ Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted, namely P1,318,316,337.00), cumulative dividends and right to receive profit-participating stocks
    - ❖ Veto Right - Right to veto the development of Sta. Rosa Property such that the development project of said land must be approved by Preferred shareholders;
    - ❖ Exercise of Voting Right - The Preferred Shareholders shall not have a right to vote, except on matters specified in Section 6 of the Corporation Code of the Philippines and those relative to the development of the Sta. Rosa

Property; and

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

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

4. Approved the Conversion of Debt to Additional Paid-In Capital which will be reserved for the Conversion of Preferred shares to Common shares;
5. Authorized the filing of the Amended Articles of Incorporation of the Company and other documentary requirements with the SEC; and
6. Approved the incorporation of a wholly-owned subsidiary of the Company for its PET Recycling plant Project in a Philippine Economic Zone Authority ("PEZA") location.

There was no major business activity of the Company for the year ended December 31, 2018.

(b) Business of Issuer

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

Products

The Company under normal operations sells the following products:

Products Type

Polyester Draw Textured Yarn (DTY)  
Air-Mingled Yarn (AMY)  
Staple Fiber (SF)  
Pre-Oriented Yarn (POY)

End Use

Knitting  
Weaving Knitting  
Cotton/Rayon Blending  
Texturizing

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

Filsyn's raw material inputs are mainly imported.

**Item 2. Properties**

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

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

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

**Item 3. Legal Proceedings**

As of December 31, 2018, there are no material pending legal proceedings before any court or agency to which the Corporation or any of its subsidiaries is a party, except for tax credit certificates' cases now pending with the Sandiganbayan and the Ombudsman.

**Item 4. Submission of Matters to a Vote of Security Holders**  
NOT APPLICABLE

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

(1) Market Information

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

Common shares outstanding as of December 31, 2018 is 206,246,181.

(2) Holders

The Company’s total shareholders as of December 31, 2018 is 516. The top 20 shareholders and their number of shares held are as follows:

#### TOP 20 SHAREHOLDERS

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

19.	Laguna Estates Dev't. Corporation	626,190	.30
20.	Rexlon Industrial Corporation	589,492	.30

(2) Dividends

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

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

This is contained in the attached Management Report.

**Item 7. Financial Statements**

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

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

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

**PART III - CONTROL AND COMPENSATION INFORMATION**

**Item 9. Directors and Executive Officers of the Registrant**

**BOARD OF DIRECTORS**

<u>NAME</u>	<u>POSITION</u>	<u>NATIONALITY</u>
DAVID WANG	Director	Chinese
CHEN YU CHENG	Director	Chinese
EVELYN LIM-FORBES	Director	Filipino
RENATO V. DIAZ	Director	Filipino
JAIME M. STO. DOMINGO	Director	Filipino



MARCELO T. DY	Director	Filipino
ALAN TSAI	Director	Chinese
AMY HUANG	Director	Chinese
MA. BELINA B. MARIANO	Director	Filipino
CONSOLACION A. SANCHEZ	Director	Filipino

### **CORPORATE OFFICERS**

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

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

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

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

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

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

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

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

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

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

**MR. CHEN YU CHENG** is a lawyer by profession, received the Executive Master of Business Administration, Degree in International Business Management from

National Taiwan University, Republic of China. He is at present the General Manager of Far Eastern New Century Corporation.

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

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

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

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

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

**Item 10. Executive Compensation**

(1) Executives

Gross compensation to Executives is as follows:

(In Million Pesos)

2016	3.0
2017	3.0
2018	3.0

(2) Directors

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

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

1. Security Ownership of Certain Record and Beneficial Ownership as of December 31, 2018.

<b>Title of Class</b>	<b>Name &amp; Address Record/Beneficial</b>	<b>Amount &amp; Nature of Record/Beneficial Ownership</b>	<b>Percent of Class</b>	<b>No. of Shares</b>
Common	Trans-Pacific Oriental Holding Co., Inc.	P317,890,910	30.83%	63,578,182
Common	Far Eastern Investment Holding, Limited	P225,328,350	21.85%	45,065,670
Common	Waldorf Services, B.V.	P102,564,100	9.94%	20,512,820

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

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

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

2. Security Ownership of Management as of December 31, 2018

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

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

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

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

## **PART IV - EXHIBITS AND SCHEDULES**

### **Item 13. Corporate Governance Report**

Please refer to attached Annual Corporate Governance Report (ACGR)

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

(a) Exhibits - See accompanying Index to Exhibits

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

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

(b) Reports on SEC Form 17-C

Reports on Form 17-C (Current Report) have been filed during the last quarter of 2018.

## **MANAGEMENT DISCUSSION & ANALYSIS OF OPERATION**

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

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

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

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

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

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

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

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

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

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



**A. FINANCIAL DATA**

	<u>Dec. 2018</u>	<u>Dec. 2017</u>
	(In Million Pesos)	
• <u>Balance Sheet</u>		
Total Assets	P 993	987
Total Current Liabilities (incl. MTI loans)	1,550	1,524
Deficit	1,790	1,770
	P	
• <u>P &amp; L</u>		
Revenues	33.3	P 27.9
Operating Exp.	23.9	21.8
Net Loss	19.5	12.5

**B. FINANCIAL ANALYSIS**

- Assets (P 993Million) - There is no major variance of assets as of the end of December 31, 2018 compared to year 2017.
- Total current liabilities - The net increase is mainly due to accrued interest on MTI loans and foreign exchange differential.
- Cash Flow - The company's sources of funds consist mainly of warehouse rental lease income. These were utilized to finance our regular operating and administrative expenses.

The financial statements have been prepared in conformity with generally accepted accounting principles. Management maintains system of accounting and reporting which provides for the necessary internal controls. There were no significant deficiencies and weaknesses on internal control and fraud committed by employees. There were no changes in estimates without proper disclosure which have the impact of improving results of operations and non-application or misapplication of accounting principles and standards, misstatements and omissions. There were no advances from Directors, officers, employees and principal stockholders and related parties of the company or its related parties for the year ended December 31, 2018.

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