COVER SHEET

MA-045

3 5 8 4 1

SEC Registration Number

F I L S Y N C O R P O R A T I O N A N D

S U B S I D I A R I E S

(Companyt's Full Name)

U N I T 8 5 B P E A R L B A N K C E N T R E

1 4 6 V A L E R O S T . M A K A T I C I T Y

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

Mr. Apolinario L. Posio	**752-3133/7523611**
Contact Person	Company Telephone Number

SEC FORM 17-A

DECEMBER 31, 2020

1 2	3 1			
Month	Day		Month	Day
Fiscal Year			Annual Meeting	

Not Applicable

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = please Use Black Ink for scanning purposes

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(a) Business Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    ii. Creation of Preferred Shares with the following features:

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

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

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

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

Property; and

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

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

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

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

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

There was no major business activity of the Company for the year ended December 31, 2020.

(b) Business of Issuer

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

Products

The Company under normal operations sells the following products:

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

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

Filsyn's raw material inputs are mainly imported.

Item 2. Properties

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

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

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

Item 3. Legal Proceedings

As of December 31, 2020, there are no material pending legal proceedings before any court or agency to which the Corporation or any of its subsidiaries is a party, except for tax credit certificates' cases now pending with the Sandiganbayan and the Ombudsman.

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

NOT APPLICABLE

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

(1) Market Information

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

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

(2) Holders

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

TOP 20 SHAREHOLDERS

		No. of Shares	% of Total
1.	Trans-Pacific Oriental Holdings, Inc.	63,578,181	30.83
2.	Far Eastern Investment Holding Ltd.	45,065,670	21.85
3.	Waldorf Services, B.V.	20,512,820	9.95
4.	Chinatrust Escrow A/C # 269-4	12,913,678	6.26
5.	PCD Nominee Corporation	9,129,830	5.32
6.	Development Bank of the Phils.	10,256,409	5.00
7.	National Dev't. Company	6,814,453	3.30
8.	Equitable Banking Corporation	6,564,103	3.18
9.	Security Bank & Trust Co.	4,648,924	2.30
10.	Lepanto Consolidated Mining Co.	4,081,651	2.00
11.	PLLIM Investments, Inc.	2,894,000	1.40
12.	Pan Malayan Mgt. & Investment Corp.	2,393,658	1.20
13.	Phil. Carpet Mfg. Corp.	2,063,581	1.00
14.	Toyo Menka Kaisha Ltd.	1,844,568	.90
15.	Tomen Corporation	1,161,737	.60
16.	Abundance Providers and Entrepreneurs Corp.	1,600,807	.77
17.	Equitable Leasing Corp.	772,305	.40
18.	Equitable Dev't. Corp.	772,305	.40
19.	Laguna Estates Dev't. Corporation	626,190	.30
20.	Rexlon Industrial Corporation	589,492	.30

(2) Dividends

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

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

This is contained in the attached Management Report.

Item 7. Financial Statements

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

BOARD OF DIRECTORS

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

CORPORATE OFFICERS

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

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

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

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

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

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

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

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

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

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

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

MS. MELYJANE G. BERTILLO-ANCHETA is the corporate secretary of Filsyn Corporation. She obtained her Bachelor of Laws degree from the University of the Philippines . She is a Partner 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)	
2018	3.0
2019	3.0
2020	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, 2020.

Title of Class	Name & Address Record/Beneficial	Amount & Nature of Record/Beneficial Ownership	Percent of Class	No. of Shares
Common	Trans-Pacific Oriental Holding Co., Inc.	P317,890,905	30.83%	63,578,181
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, 2020

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

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

Item 12. Certain Relationships and Related Transactions

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

PART IV - EXHIBITS AND SCHEDULES

Item 13. 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 2020

MANAGEMENT DISCUSSION & ANALYSIS OF OPERATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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)

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

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

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

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

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

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

   ii. Creation of Preferred Shares with the following features:

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

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

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

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

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

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

In preparation for FYGP's registration with the PEZA, on February 21, 2020, a Memorandum of Understanding and a Contract to Sell between J.Y.. and Sons Realty Co., Inc. and FYGP were executed regarding sale of a parcel of land with building and improvements, located at First Cavite Industrial Estate (FCIE), Dasmariñas City, Cavite. Which is a PEZA registered location. Finally, on November 25,2020, the sale was finalized and the property was physically turned over on February 1, 2021.

Furthermore, at the Board Meeting of PEZA, held on May 21, 2020, the Board approved the application for registration of FYGP as an Export Ecozone Enterprise.

The Company hopes that the SEC will approve the other documentary requirements soon, so that it can finally pursue its Business Plan of turning the company into a healthy and profitable venture once again.

A. FINANCIAL DATA

		Dec. 2020	Dec. 2019
		(In Million Pesos)	
• Balance Sheet			
Total Assets	P	1,519	998
Total Current Liabilities (incl. MTI loans)		2,088	1,561
Deficit		1,869	1,862
P & L			
Revenues		36.4	39.5
Operating Exp.		29.6	30.0
Net Loss		7.4	8.1

B. FINANCIAL ANALYSIS

- Assets - The variance of assets as of the end of December 31, 2020 compared to year 2019 represents acquisition of land and building for FYGP.
- Total current liabilities - The net increase is mainly due to the new bank loans used to acquire land and building for FYGP and 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, 2020.

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

FILSYN CORPORATION
MANAGEMENT REPORT FOR THE YEAR 2020

The Company continues to derive its income mainly from leasing warehouses and commercial space. Inspite of the pandemic that has affected most of the businesses in the country and the whole world, we are fortunate that the income derived from our operation remains sufficient to cover all of the Company's operating and miscellaneous expenses.

The Sta. Rosa property, which is the biggest asset of the Company, has a fair market value (FMV) of P8,800.00 per square meter, as determined by an Independent firm of Appraiser last December 31, 2020. Compared to last year's FMV of P6,600.00 per square meter, there was an increase of P2,000.00 per square meter. The property has now a FMV of about P2,580.00 Million, more or less.

The General Mariano Alvarez (GMA) property's FMV likewise increased, although slightly, to P2,800.00 per square meter from P2,600.00 per square meter last year as determined by the same Independent Firm of Appraiser last December 31, 2020. The total FMV of the property is now about P455 Million, more or less.

The Company's Total Assets based on audited Consolidated Financial Statements for year 2020 and 2019, is P 1,519 M as of end of 2020.

The Total Current Liabilities is P 2,088 M as of end 2020. It increased by about P 527 M due to new bank loans of about P 507 M, used to acquire land and building for FYN GREEN PET CORPORATION, wholly own subsidiary and interest expense of around P 18 M, on the first Mortgage Trust Indenture (MTI) loan with CTBC Bank (Phils.) Corporation ("Chinatrust").

The Company's outstanding loan with Chinatrust, amounting to P1.2 Billion remains the same. However, the ownership of the loan was transferred to another company which later sold the loan to Malaysia Garment Manufacturing (Pte) Ltd., a company incorporated in Singapore.

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

1. Financial restructuring subject to Securities and Exchange Commission (SEC) approval;
2. Development of the Sta. Rosa property; and
3. A new business activity, i.e. Recycling of Polyethylene Terephthalate (PET) to be registered with the Philippine Economic Zone Authority (PEZA) as a PEZA registered enterprise.

On February 18, 2018, the SEC en Banc resolved to lift the Order of Revocation of the Company's Registration of Securities and Permit to Sell Securities to the public which it issued in 2002. However, the Company is directed to amend its Registration Statement to reflect any material changes prior to the reinstatement 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 the Company both held on September 20, 2018, at least a majority of its directors and stockholders approved the following:

1. Amended Registration Statement;

2. Filing of the Amended Registration Statement of the Company with the SEC;

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

   i. Reduction of par value from P5.00 per share to P2.50 per share;

   ii. Creation of Preferred Shares with special features:

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

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

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

6. Incorporation of a wholly-owned subsidiary of the Company for its PET Recycling Plant Project within a PEZA accredited economic zone.

In pursuit of the approved Business Plan, the Company has filed with the SEC the following applications:

a) Amended Registration Statement of the Company
b) Amended Articles of Incorporation of the Company and other documentary requirements and
c) Incorporation of FYN Green PET Corporation ("FYGP"), a wholly-owned subsidiary of the Company for its PET Recycling Plant Project.

The Amended Registration Statement is still subject to further review of the SEC Market Regulation and Securities Division, since there is substantial change, i.e., the addition of a new subsidiary, and additional information added to the prospectus and exhibits.

With regards to the Company's financial restructuring project, SEC Examiner has suggested the simultaneous processing of the application for steps 1 to 4 to speed up the process since the required documents are the same. These requirements have been submitted for the review and comments of the Examiner.

On June 6, 2019, the SEC approved the Articles of Incorporation and By Laws of FYGP and issued the Certificate of Incorporation.

In preparation for FYGP's registration with the PEZA, on February 21, 2020, a Memorandum of Understanding and a Contract to Sell between J.Y. and Sons Realty Co., Inc. and FYGP were executed regarding sale of a parcel of land with building and improvements, located at First Cavite Industrial Estate(FCIE), Dasmariñas City, Cavite, which is a PEZA registered location. Finally, on November 25, 2020, the sale was finalized and the property was physically turned over on February 1, 2021.

Furthermore, at the Board Meeting of PEZA, held on May 21, 2020, the Board approved the application for registration of FYGP as an Export Ecozone Enterprise.

The Company hopes that the SEC will approve the other documentary requirements soon, so that it can finally pursue its Business Plan of turning the company into a healthy and profitable venture once again.

JAIME M. STO. DOMINGO
President

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on JUL 14 2021.

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

MAKATI CITY

SUBSCRIBED AND SWORN to before me this JUL 14 2021 affiants exhibiting to me his Community Tax Certificate / Passport as follows:

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

ATTY. GERVACIO B. ORTIZ JR
NOTARY PUBLIC CITY OF MAKATI
UNTIL DECEMBER 31, 2022
IBP NO. 75729 - LIFETIME MEMBER
MCLE COMPLIANCE NO. VI-0024312
APPOINTMENT NO. M-183 (2019-2020)
PTR NO. 8531011 JAN. 4, 2021
MAKATI CITY ROLL NO. 40091
GROUND FLOOR 8747 PASEO DE ROXAS, LEPANTO BLDG

Doc. No. 123
Page No. 26
Book No. XI
Series of 2021

FILSYN

SECURITIES AND EXCHANGE COMMISSION
SEC Building EDSA Greenhills
Mandaluyong, Metro Manila

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, 2020 and 2019, 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.

CONSOLACION A. SANCHEZ
Chairperson

JAIME STO DOMINGO
President

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

Signed this _________ day of ________

REPUBLIC OF THE PHILIPPINES) S.S.
MAKATI CITY)

MAKATI CITY MAY 2 5 2021

SUBSCRIBED AND SWORN to before me this _______ day of _____________, affiants exhibiting to me her/his Tax Identification Number, as follows:

Name	Tax Identification No.
Consolacion A. Sanchez	106-973-735
Jaime M. Sto. Domingo	108-772-644
Apolinario L. Posio	108-734-569

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC CITY OF MAKATI
UNTIL DECEMBER 31, 2022
IBP NO. 75729 - LIFETIME MEMBER
MCLE COMPLIANCE NO. VI-0024312
APPOINTMENT NO. M-183 (2019-2020)
PTR NO. 8531011 JAN. 4, 2021
MAKATI CITY ROLL NO. 40091
GROUND FLOOR 8747 PASEO DE ROXAS, LEPANTO BLDG

Doc. No. 142
Page No. 30
Book No. IV
Series of 2021.

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

SEC Registration Number

0	0	0	0	3	5	8	4	1		

C O M P A N Y N A M E

FILSYN CORPORATION AND SUBSIDIARIES

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

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

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

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

Group's Email Address	Group's Telephone Number	Mobile Number
info@filsyncorp.com	8-752-3133	+639673155296

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
516	September 26	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jaime Sto. Domingo	info@filsyn.com	8-752-3133	+639673155296

CONTACT PERSON's ADDRESS

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

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of FILSYN Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and consolidated statements of comprehensive income, consolidated statements of changes in capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Parent Company's Registration of Securities and Permit to Sell Securities to the public has been revoked in 2002. In addition, the Group incurred net loss of ₱7.4 million and ₱8.1 million in 2020 and 2019, respectively, resulting in capital deficiency of ₱712.2 million and ₱705.9 million as at December 31, 2020 and 2019, respectively. Also, the Group's current liabilities exceeded its current assets by ₱2,021.8 million and ₱1,506.9 million as at December 31, 2020 and 2019, respectively.
These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, which are expected to be made available to us after the date of this auditor's report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
SEC Accreditation No. 1700-A (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 178-486-845
BIR Accreditation No. 08-001998-094-2020,
July 27, 2020, valid until July 26, 2023
PTR No. 8534246, January 4, 2021, Makati City

July 1, 2021

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱62,301,069**	₱51,802,612
Prepayments and other current assets - net (Note 6)	**2,261,628**	1,676,233
Other receivables	**1,941,608**	829,887
Total Current Assets	**66,504,305**	54,308,732
Noncurrent Assets		
Investment properties - at deemed cost (Note 9)	**918,167,147**	918,167,147
Land and building (Note 8)	**507,500,000**	–
Retirement plan assets (Note 20)	**27,231,388**	25,698,270
Investments in associates - net (Note 7)	**1**	1
Total Noncurrent Assets	**1,452,898,536**	943,865,418
TOTAL ASSETS	**₱1,519,402,841**	₱998,174,150
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts and other payables (Note 10)	**₱502,030,193**	₱475,505,139
Loans payable (Notes 11 and 19)	**1,583,245,482**	1,082,052,682
Dividends payable (Note 12)	**156,087**	156,087
Income tax payable	**2,833,326**	3,484,403
Total Current Liabilities	**2,088,265,088**	1,561,198,311
Noncurrent Liability		
Deferred tax liabilities (Note 18)	**143,351,580**	142,891,644
Total Liabilities	**2,231,616,668**	1,704,089,955
Capital Deficiency Attributable to Equity Holders of the Parent		
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 – net	**(1,132,451)**	(2,264,888)
Deficit (Note 1)	**(1,869,478,370)**	(1,862,094,293)
	(695,790,171)	(689,538,531)
Non-controlling Interests (Note 21)	**(16,423,656)**	(16,377,274)
Total Capital Deficiency (Note 1)	**(712,213,827)**	(705,915,805)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱1,519,402,841**	₱998,174,150

See accompanying Notes to Consolidated Financial Statements.

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Rental income (Notes 9 and 14)	**₱36,411,089**	₱39,504,490	₱33,321,256
COSTS AND OPERATING EXPENSES (Note 15)	**(29,552,938)**	(30,092,920)	(23,902,279)
OPERATING INCOME	**6,858,151**	9,411,570	9,418,977
OTHER INCOME (EXPENSES) – net			
Finance charges (Note 16)	**(18,866,629)**	(18,731,973)	(18,731,973)
Finance income (Note 5)	**89,624**	140,920	199,773
Other income (expense) - net (Note 17)	**8,829,363**	6,252,603	(7,108,068)
	(9,947,642)	(12,338,450)	(25,640,268)
INCOME (LOSS) BEFORE INCOME TAX	**(3,089,491)**	(2,926,880)	(16,221,291)
PROVISION FOR INCOME TAX (Note 18)	**4,340,968**	5,173,755	3,246,034
NET LOSS	**(₱7,430,459)**	(₱8,100,635)	(₱19,467,325)
OTHER COMPREHENSIVE (INCOME) LOSS			
Other comprehensive loss (income) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (gain) loss on retirement plan assets	**(₱1,617,767)**	(₱1,821,561)	₱961,007
Income tax effect	**485,330**	546,468	–
Other comprehensive loss closed to retained earnings:			
Deferred tax on investment property (Note 18)	–	64,442,864	–
Other comprehensive loss (income), net of tax	**(1,132,437)**	63,167,771	961,007
TOTAL COMPREHENSIVE LOSS, NET OF TAX	**₱6,298,022**	₱71,268,406	₱20,428,332
NET LOSS (INCOME) ATTRIBUTABLE TO:			
Equity holders of the parent	**₱ 7,384,077**	₱8,083,897	₱19,476,233
Non-controlling interests (Note 21)	**46,382**	16,738	(8,908)
	₱7,430,459	₱8,100,635	₱19,467,325
TOTAL COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO:			
Equity holders of the parent	**₱ 6,251,640**	₱71,251,668	₱20,437,240
Non-controlling interest (Note 21)	**46,382**	16,738	(8,908)
	₱6,298,022	₱71,268,406	₱20,428,332
LOSS PER SHARE			
Basic and diluted, for net loss attributable to equity holders of the parent (Note 13)	**₱0.0360**	₱0.0392	₱0.0944

See accompanying Notes to Consolidated Financial Statements.

FILSYN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 and 2018

	Equity attributable to equity holders of the parent						
	Capital Stock (Note 12)	Additional Paid-in Capital	Remeasurement Gain (Loss) on Retirement Plan Assets (Note 20)	Deficit (Note 1)	Total	Non-controlling Interest (Note 21)	Total Capital Deficiency
Balances at January 1, 2018	**₱1,031,230,905**	**₱143,589,745**	**(₱2,867,276)**	**(₱1,770,091,299)**	**(₱598,137,925)**	**(₱16,369,444)**	**(₱614,507,369)**
Net loss	–	–	–	(19,476,233)	(19,476,233)	8,908	(19,467,325)
Remeasurement gain (loss) on retirement plan assets, net of tax (Note 20)	–	–	(2,189,840)	–	(2,189,840)	–	(2,189,840)
Total comprehensive income (loss)	–	–	(2,189,840)	(19,476,233)	(21,666,073)	8,908	(21,657,165)
Balances at December 31, 2018	**1,031,230,905**	**143,589,745**	**(5,057,116)**	**(1,789,567,532)**	**(619,803,998)**	**(16,360,536)**	**(636,164,534)**
Net loss	–	–	–	(8,083,897)	(8,083,897)	(16,738)	(8,100,635)
Remeasurement gain (loss) on retirement plan assets, net of tax (Note 20)	–	–	2,792,228	–	2,792,228	–	2,792,228
Deferred tax on investment property closed to deficit (see Note 18)	–	–	–	(64,442,864)	(64,442,864)	–	(64,442,864)
Total comprehensive income (loss)	–	–	2,792,228	(72,526,761)	(69,734,533)	(16,738)	(69,751,271)
Balances at December 31, 2019	**1,031,230,905**	**143,589,745**	**(2,264,888)**	**(1,862,094,293)**	**(689,538,531)**	**(16,377,274)**	**(705,915,805)**
Net loss	–	–	–	(7,384,077)	(7,384,077)	(46,382)	(7,430,459)
Remeasurement gain (loss) on retirement plan assets, net of tax (Note 20)	–	–	1,132,437	–	1,132,437	–	1,132,437
Total comprehensive income (loss)	–	–	1,132,437	(7,384,077)	(6,251,640)	(46,382)	(6,298,022)
Balances at December 31, 2020	**₱1,031,230,905**	**₱143,589,745**	**(₱1,132,451)**	**(₱1,869,478,370)**	**(₱695,790,171)**	**(₱16,423,656)**	**(₱712,213,827)**

See accompanying Notes to Consolidated Financial Statements.

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱3,089,491)**	(₱2,926,880)	(₱16,221,291)
Adjustments for:			
Finance charges (Notes 10 and 14)	**18,866,629**	18,731,973	18,731,973
Impairment losses on prepayments and other current and noncurrent assets (Note 15)	**21,434**	7,438,848	23,361
Unrealized foreign exchange (gains) losses – net (Note 17)	**(9,187,268)**	(5,807,198)	7,932,348
Movement in retirement plan assets (Note 20)	**(1,533,118)**	84,652	(698,330)
Finance income (Note 5)	**(89,624)**	(140,920)	(199,773)
Changes in working capital:			
Decrease (increase) in prepayments and other current and noncurrent assets	**(3,433,297)**	564,856	(2,505,319)
Increase (decrease) in accounts and other payables	**33,325,466**	(2,524,436)	(936,610)
Net cash generated from (used in) operations	**34,880,731**	15,420,895	6,126,359
Interest received	**89,624**	140,920	199,773
Interest paid	**–**	(950,000)	(1,000,000)
Income taxes paid	**(3,484,403)**	(1,647,958)	(30,373)
Net cash flows from (used in) operating activities	**31,485,952**	12,963,857	5,295,759
CASH FLOWS FROM INVESTING ACTIVITY			
Acquisition of land and building	**(507,500,000)**	–	–
Net cash flows used in investing activity	**(507,500,000)**	–	–
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in loans payable	**510,176,237**	–	–
Net cash flows from financing activity	**510,176,237**	–	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**34,162,189**	12,963,857	5,295,759
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(23,663,732)**	(12,802)	17,652
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**51,802,612**	38,851,557	33,538,146
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱62,301,069**	₱51,802,612	₱38,851,557

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Corporate Information

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

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

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

Subsidiaries	Nature of Business	**2020**	2019	2018
FYN Green PET Corporation (FYN Green)	Manufacturing	**100%**	100%	–
Island King Aquaventures Corporation (IKAC)	Leasing	**77%**	77 %	77 %
SRTC Development Corporation (SRTC)	Under liquidation	**57%**	57%	57%

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, Pearlbank 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 3, Langkaan II Dasmarinas City, Cavite.

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

Status of operations
The Group has incurred net loss of ₱7.4 million and ₱8.1 million as at December 31, 2020 and 2019, respectively, resulting in capital deficiency of ₱712.2 million and ₱705.9 million as at December 31, 2020 and 2019, respectively. Also, the Group's current liabilities exceeded its current assets by ₱2,021.8 million and ₱1,506.9 million as at December 31, 2020 and 2019, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

In 2002, the SEC 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 Parent Company is now primarily focused on leasing of its investment properties.

On October 24, 2016, the PSE issued a letter to the Group on the subject: *Negative Stockholders' Equity and SEC Order of Revocation* requesting for update on the following items:
- Settlement of outstanding loan obligations amounting to ₱1.2 billion through the Sta. Rosa property as dacion
- Discussions/negotiations with real estate companies for potential joint venture arrangement over the property to develop the 30 hectares (ha.) property located at Sta. Rosa, Laguna
- Discussions/negotiations regarding the sale of the property located in Gen. Malvar Alvarez, Cavite City and
- SEC Order of Revocation dated August 26, 2002

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

In September 2017, the BOD and stockholders of the Parent Company approved a business plan, which consists of the following phases:
- 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:
   i. Reduction of par value from ₱5.00 per share to ₱2.50 per share
   ii. Creation of Preferred Shares with the following features:
      - Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares
      - Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted), cumulative dividends and right to receive profit-participating stocks
      - Veto Right – Right to veto the development of Sta. Rosa property such that the development project of said land must be approved by Preferred shareholders

- Exercise of voting right – The Preferred shareholders shall not have a right to vote, except on matter specific in Section Six of the Corporation Code of the Philippines and those relative to the development of Sta. Rosa Property and
- Convertible to Common Shares – Right to convert preferred shares to common shares using 16.78:1 conversion ratio at ₱2.50 per share

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

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

b. Conversion of debt to equity (see Note 11)

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. As of July 1, 2021, the Parent Company is in the process of revising and collating the documents for complete submission to the SEC.

The BOD also approved in September 2018 the incorporation of wholly-owned subsidiary of the Parent Company to carry out the business activity of recycling PET under the PEZA. On June 6, 2019 and May 21, 2020, FYN Green PET Corporation was registered with the SEC and PEZA as Ecozone Enterprise, respectively. In 2021, FYN Green imported machinery for recycling of PET bottles and will start to operate in 2022.

The Parent Company received different proposals (i.e., residential and commercial areas) from different conglomerates for the development of the investment property. These proposals are currently turned down since the fair market value of the land is still escalating. As of July 1, 2021, the market research in support of the development plan for the Sta. Rosa property is not yet available. After receiving the market research report, the Parent Company will draft the plan for the development of the said property.

As discussed in Note 11, there were previous negotiations with the Mortgage Trust Indenture (MTI) creditor to either finally settle the Group's debt or to have the MTI extended for a renewed term.

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

On November 2, 2010, Chinatrust accepted the proposal of the Group to fully settle its outstanding loan obligation amounting to ₱1.31 billion under a "Dacion En Pago" arrangement. Chinatrust agreed that the Group shall not be liable for any deficiency between the amount of the outstanding loan obligation and the value of the Sta. Rosa property. The "Dacion En Pago" did not materialize and the ownership of the loan was transferred to another creditor (see Note 11). On August 27, 2018, Chuang Yuan Limited sold the loan to Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments), a company incorporated in Singapore and a related party (see Note 19). The Group intends to convert the restructured loans and accrued interest payable to equity in the form of additional paid in capital.

As of July 1, 2021, the Parent Company is in the process of revising and collating the required financial restructuring documents for complete submission to the SEC.

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

Subsidiaries

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

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

On September 25, 2014, the stockholders approved the amendment of SRTC's AOI to shorten its life until December 31, 2014. This approval has superseded the approval made in 2001. Final liquidation will take place after approval of SRTC's liquidation application with the Philippine SEC. As at June 30, 2020, SRTC is in the process of accomplishing requirements needed for the cancellation of its registration with Bureau of Internal Revenue and Philippine SEC.

On June 6, 2019 and May 21, 2020, FYN Green, a wholly owned subsidiary of the Parent Company, was registered with the SEC and PEZA as Ecozone Enterprise, respectively. In 2020, the FYN Green acquired land and building to be used in its future operations. As at July 1, 2021, FYN Green has not started commercial operations.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, were authorized for issuance by the BOD through the Executive Committee on July 1, 2021.

2. Basis of Preparation and Consolidation and Changes in Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine peso, the Group's functional and presentation currency. All values are rounded to the nearest peso except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has all of the following:

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

Generally, there is a presumption that majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. Unless otherwise indicated, adoption of these new standards did not have an impact on the Group's financial statements.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business.* The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform.* The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material.* The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions.* The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group elects to apply the short-term lease recognition exemption to lease of office space with a term of not more than one year thus no impact.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2.* The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Effective beginning on or after January 1, 2022

- 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.

- Amendments to PAS 16, *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.

- *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 by the parent, based on the parent's date of transition to PFRS.
  - 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.
  - 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.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current.* The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current.

- PFRS 17, *Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

3. Summary of Significant Accounting Policies

Current versus Non-current Classification

The Group presents assets and liabilities in the statements of financial position based on current/non-current 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 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 reporting period.

All other assets are classified as non-current.

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 reporting period, or
- There is unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and short-term 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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the 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 Company has applied the practical expedient, the 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 as 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 Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group 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);
- Financial assets at fair value through profit or loss.

The Group's financial assets at amortized cost include cash and cash equivalents and refundable deposits under 'prepayments and other current assets'. The Group did not have financial assets at fair value through OCI and financial assets at fair value through profit or loss as at December 31, 2020 and 2019.

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.

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment
The 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.

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, 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, 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 security deposits the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

Determining the stage for impairment
At each reporting date, the Group 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 Group 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 fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent Measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss

- Financial liabilities at amortized cost (loans and borrowings)

The Group's financial liabilities are in the nature of loans and borrowings and payables. The Group did not have financial liabilities at fair value through profit or loss as at December 31, 2020 and 2019.

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

Input and Output VAT

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

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

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

Other Receivables

Other receivables are noninterest bearing receivables from various sources which are expected to be collected within 12 months.

Investment in Associates

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

The aggregate of the Group'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 associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Land and Building

Land is stated at cost, less any impairment in value. Building is stated at cost less accumulated depreciation and any impairment in value. The initial cost of an item of land and building consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the land and building have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expense in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of land and building beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of land and building.

Depreciation of building is computed using the straight-line method over 20 estimated useful life in years.

Depreciation begins when the item of property, plant and equipment becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The assets' estimated residual values, if any, estimated useful lives and depreciation and amortization methods are reviewed periodically at each end of the reporting period to ensure that these are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. A change in the useful lives or expected pattern of consumption of the future economic benefits embodied in property, plant and equipment is accounted for as a change in accounting estimates and thus, shall be recognized prospectively in accordance with PAS 8, *Accounting Policies, Changes in Estimates and Errors*.

An item of land and building is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

When assets are retired or otherwise disposed of, their cost, accumulated depreciation and amortization and any allowance for impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation is charged to current operations.

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

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

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

<u>Impairment of Nonfinancial Assets</u>
The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's 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 Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group'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 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 Group 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 profit or loss.

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

Retained Earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of periodic net income (loss), dividend contributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments.

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

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

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

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

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting date in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized in the consolidated statement of comprehensive income in the period these are incurred.

Cost of Services and Operating Expenses

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

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessor

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

Group as Lessee

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

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

Income Taxes

Current Income Tax

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

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

Deferred Tax

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

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

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

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

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

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

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

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

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

Retirement Plan Assets

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

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'other expenses',
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized loss is recognized in other comprehensive income or profit or loss, respectively).

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Lease Commitments - Group as Lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income amounted to ₱36,411,089, ₱39,504,490 and ₱33,321,256 in 2020, 2019 and 2018, respectively (see Notes 9 and 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 Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

The key estimates and assumptions concerning future and key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the next page.

Estimation of Impairment Losses on Nonfinancial Assets
The Group provides allowance for impairment losses on nonfinancial assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates.

Provision for impairment losses was recognized on the Group's prepayments and other current assets amounting to ₱21,434, ₱29,211, and ₱23,362 in 2020, 2019 and 2018, respectively (see Note 6). The carrying values of nonfinancial prepayments and other current assets amounted to ₱2,261,628 and ₱1,676,233, net of allowance for impairment losses amounting to ₱184,631 and ₱163,197 as at December 31, 2020 and 2019, respectively (see Note 6).

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.

Further details about pension obligations are provided in Note 20.

Assessment of Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred taxes at each end of the reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be

available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies.

Temporary differences and net operating loss carry-over (NOLCO) in which no deferred tax assets were recognized as the management has assessed that it is not probable that sufficient taxable income will be available for which the benefit of the deferred tax assets can be utilized amounted to ₱83,178,352 and ₱93,214,430 as at December 31, 2020 and 2019, respectively.

5. Cash and Cash Equivalents

	2020	2019
Cash on hand	**₱37,082**	₱37,082
Cash in banks	**60,100,654**	49,626,020
Short-term investments	**2,163,333**	2,139,510
	₱62,301,069	₱51,802,612

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 Group, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term investments amounted to ₱89,624, ₱140,920 and ₱199,773 in 2020, 2019 and 2018, respectively.

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

Prepayments and other current assets

	2020	2019
Prepaid expense	**₱923,937**	₱–
Input VAT	**345,725**	269,186
Refundable deposits	**221,768**	826,165
Advances to officers and employees	**954,829**	744,079
	2,446,259	1,839,430
Less allowance for impairment losses	**184,631**	163,197
	₱2,261,628	₱1,676,233

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

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

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

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

	2020	2019
Beginning balances	**₱163,197**	₱133,986
Provision for impairment loss (Note 15)	**21,434**	29,211
	₱184,631	₱163,197

In addition, the Group wrote off prepayments and other current assets amounting to ₱2,499,872 in 2019.

<u>Other noncurrent assets</u>

	2020	2019
CWTs	**₱58,353,860**	₱58,353,860
Less allowance for impairment losses on	**58,353,860**	58,353,860
	₱–	₱–

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

	2020	2019
Beginning balances	**₱58,353,860**	₱53,444,095
Provision for impairment loss (Note 15)	**–**	4,909,765
	₱58,353,860	₱58,353,860

7. **Investments in Associates** - net

	Costs
Filsyn International Corporation	₱2,067,500
Lakeview Industrial Corporation	1
Lefilton Trading	200,000
	2,267,501
Share in accumulated losses	(2,267,500)
	₱1

8. **Land and Building**

In December 2020, the Group acquired a parcel of land and building located in Dasmariñas, Cavite amounting to ₱236,496,713 and ₱271,003,287, respectively. No depreciation was recognized in 2020.

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

	2020	2019
Parent Company	**₱898,657,147**	₱898,657,147
IKAC	**19,510,000**	19,510,000
	₱918,167,147	₱918,167,147

Parent Company

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 10.
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 Group applied the revalued amount of these properties as deemed cost upon adoption of PFRS in 2005. The original acquisition cost of the said properties amounted to ₱14.87 million. As at December 31, 2020 and 2019, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱681.71 million which arose when the Group transitioned to PFRS in 2005.

The fair values of the investment properties have been determined based on the valuations performed by Asian Appraisal dated December 31, 2020. Asian Appraisal is an industry specialist in valuing these types of investment properties.

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

Details of the deemed cost and fair value of parcels of lands as of December 31, 2020 are as follows:

Location	Deemed Cost	Fair Value	Observable Input	Total Land Area	Estimated Fair Value per sqm
Laguna	₱750,045,000	₱2,580,155,000	Price per sqm	300,018 sqm	₱8,600.
Cavite	148,612,147	455,605,000	Price per sqm	162,716 sqm	2,800
	₱898,657,147	₱3,035,760,000			

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.

IKAC
The Group carries its land located in Pontevedra, Capiz which pertains to the property of IKAC, with a total land area of 137.87 hectares (ha), at deemed cost amounting to ₱19.51 million as at December 31, 2020 and 2019. The actual cost of the land amounted to ₱9.08 million.

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

The fair value of the investment property from the valuation report of Asian Appraisal as at December 31, 2019 amounting to ₱45.23 million remains applicable as there has been no significant developments identified in the immediate vicinity of the investment property. Inputs and assumptions used in the computation of the fair value of the investment property from the valuation report is still appropriate as at December 31, 2020. Asian Appraisal is an industry specialist in valuing this type of investment property

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

Deemed cost and fair value of parcels of lands as of December 31, 2020 are as follows:

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

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

As at December 31, 2020 and 2019, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱7,299,287, net of tax, which arose when the Group transitioned to PFRS in 2005.

Consolidated rental income earned on the investment properties amounted to ₱36,411,089, ₱39,504,490 and ₱33,321,256 in 2020, 2019 and 2018, respectively (see Note 14). Direct operating expenses, which are composed mainly of real property taxes and repairs and maintenance, amounted to ₱4,714,614, ₱5,287,546 and ₱5,234,685 in 2020, 2019 and 2018, respectively. Real property taxes paid on the properties amounted to ₱4,677,869, ₱4,777,263 and ₱4,751,531 in 2020, 2019 and 2018, respectively.

No rental income was earned for the Parent Company's investment property in Gen. Mariano Alvarez, Cavite. Direct expenses of this investment property for which there is no rental income comprise of real property taxes amounting to ₱937,244 in 2020, 2019, and 2018.

10. **Accounts and Other Payables**

	2020	2019
Accounts payable:	**₱3,854,729**	₱3,160,493
Accrued interest (see Notes 10, 14 and 17)	**459,963,811**	441,497,182
Nontrade payables	**22,620,703**	24,432,128
Refundable customers' deposits	**6,201,945**	3,764,277
Accrued professional expenses	**1,151,927**	1,151,927
Government payables	**117,947**	408,577
Others	**8,119,131**	1,090,555
	₱502,030,193	₱475,505,139

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

Accrued interest pertains to interest payable of the Parent Company from its outstanding loans to Malaysia Garment and CTBC Bank Co., Ltd., and are payable on demand (see Note 19). Accrued interest on these loans amounted to ₱459,963,811and ₱441,497,182 as at December 31, 2020 and 2019, respectively, out of which interest amounting to ₱388,183,656 will form part of the restructured loans subject to financial restructuring(see Note 11 & 19b).

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

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

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

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

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

11. **Loans**

Restructured Loans
As at December 31, 2020 and 2019, the Group has debts secured by 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 ₱1.31 billion 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 Garment Manufacturers (Pte) Ltd. (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). As of July 1, 2021, 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.

Loans Payable

	2020	2019
Bank loan	**₱509,043,800**	₱–
Loan payable to a related party (Note 19)	**144,069,000**	151,920,000
	₱653,112,800	₱151,920,000

On November 11, 2020, FGPC obtained an unsecured short-term loan from CTBC Bank Co., Ltd. amounting to $9,600,000 (₱463,229,858) with an interest rate of 1.42% per annum. The loan will be due on November 11, 2021. On December 17, 2020, additional loan was obtained from the similar bank amounting to $1,000,000 (₱45,813,942) with an interest rate of 1.5%. The additional loan will be due on December 17, 2021. Interest expense incurred from these loans amounted to ₱134,665 in 2020.

12. Capital Stock

As at December 31, 2020 and 2019, the Parent Company's capital stock is shown below:

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

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

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

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

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

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

b. Conversion of debt to equity (see Note 11)

The financial restructuring includes the conversion of restructured loans and related accrued interest to equity in the form of additional paid in capital (see Note 1). As of July 1, 2021, the process for the amendment of the AOI of the Parent Group, 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.

13. Loss per share

	2020	2019	2018
Net loss	**₱7,384,077**	₱8,083,897	₱19,476,233
Weighted average number of common shares issued and outstanding during the year	**206,246,181**	206,246,181	206,246,181
Basic/Diluted loss per share	**₱0.0360**	₱0.0392	₱0.0944

There were no dilutive shares as at December 31, 2020, 2019, and 2018. 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.

14. **Lease Agreements**

Group as Lessor
The Group has existing short-term lease agreements with various third parties (lessees) covering the Group's investment property located in Sta. Rosa, Laguna and Pontevedra, Capiz. The term of the lease are generally renewable every six months to one year or at the option of both parties under the terms and stipulations mutually agreed upon, unless sooner terminated due to breach of agreement.

Rental income earned from the lease agreements of the investment property amounted to ₱36,411,089, ₱39,504,490 and ₱33,321,256 in 2020, 2019 and 2018, respectively (see Note 9).

Group as Lessee
The Group entered principally into a lease contract wherein the Group will lease the lessor's commercial space located at The Pearlbank Centre, Salcedo Village, Makati City for a period of five years commencing on January 1, 2015 to December 31, 2019 with no rent escalation for the first three years, 5% escalation on the 4th year, and another 5% escalation on the 5th year. In December 2019, the contract was renewed for another year commencing on January 1, 2020 to December 31, 2020 with no rent escalation. In December 2020, the contract was renewed for another year with no rent escalation.

Total rental expense amounted to ₱1,628,101, ₱926,659 and ₱1,394,142 in 2020, 2019 and 2018, respectively (see Note 15).

15. **Costs and Operating Expenses**

	2020	2019	2018
Taxes and licenses	**₱7,561,763**	₱5,435,715	₱4,961,153
Professional fees	**7,190,970**	3,900,744	3,791,673
Security services	**4,460,798**	4,352,407	4,298,134
Contractual labor	**2,437,770**	2,425,207	2,544,405
Rental (Note 14)	**1,628,101**	926,659	1,394,142
Employee benefits	**1,438,137**	981,731	1,212,111
Salaries and wages	**1,220,112**	1,483,390	1,327,978
Entertainment, amusement and recreation	**858,632**	934,206	881,604
Transportation and travel	**838,147**	968,129	328,811
Repairs and maintenance	**242,258**	609,258	718,579
Utilities	**160,964**	535,520	173,453
Office supplies	**55,721**	38,102	57,374
Impairment losses on prepayments and other current and noncurrent assets (Note 6)	**21,434**	7,438,848	23,361
Insurance	**4,651**	4,212	–
Subscriptions, dues and donations	**1,422**	3,312	7,294
Others	**1,432,058**	55,480	2,182,207
	₱29,552,938	₱30,092,920	₱23,902,279

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

16. **Finance Charges**

	2020	2019	2018
Restructured loans (Note 11)	**₱18,731,964**	₱18,731,973	₱18,731,973
Loans payable (Note 11)	**134,665**	–	–
	₱18,866,629	₱18,731,973	₱18,731,973

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

	2020	2019	2018
Foreign exchange gains (losses) - net	**₱9,187,268**	₱5,807,198	(₱7,932,348)
Retirement benefit income (expense) (Note 20)	**(84,649)**	(84,652)	698,330
Other income (expense)	**(273,256)**	530,057	125,950
	₱8,829,363	₱6,252,603	(₱7,108,068)

18. **Income Taxes**

	2020	2019	2018
Current	**₱4,366,363**	₱5,199,151	₱3,036,535
Deferred	**(25,395)**	(25,396)	209,499
	₱4,340,968	₱5,173,755	₱3,246,034

Current Income tax

The provision for current income tax represents regular corporate income tax in 2020, 2019 and 2018.

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

	2020	2019	2018
Tax at statutory income tax rate	**(₱926,847)**	(₱878,064)	(₱4,866,388)
Add (deduct) tax effects of:			
Nondeductible interest expense	**5,616,237**	5,619,592	5,619,592
Movement in unrecognized deferred tax assets	**(729,286)**	(554,712)	2,241,527
Nondeductible expenses	**396,051**	891,941	167,271
Expired NOLCO and MCIT	**11,700**	137,274	143,964
Interest income subjected to final tax	**(26,887)**	(42,276)	(59,932)
	₱4,340,968	₱5,173,755	₱3,246,034

Deferred Income Tax

The Group has temporary differences, unused NOLCO and, excess MCIT over RCIT for which no deferred tax assets were recognized since management believes that it is not probable that sufficient future taxable profit will be available against which the benefits of the deferred tax assets can be utilized.

The components of the Group's unrecognized temporary differences are as follows:

	2020	2019
Unrealized foreign exchange losses	**₱84,360,753**	₱90,829,415
Allowance for impairment losses on:		
CWTs	**58,353,860**	58,353,860
Investments in associates – net	**2,267,500**	2,267,500
Input VAT	**184,631**	163,197
NOLCO	**4,101,309**	117,000
Excess MCIT	**10,105**	515
Total	**₱149,278,158**	₱151,731,487

The Group has deferred tax liabilities pertaining to the following:

	2020	2019
Investment properties	**₱135,182,163**	₱135,182,163
Retirement plan assets	**8,169,417**	7,709,481
	₱143,351,580	₱142,891,644

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

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

As at December 31, 2020, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income as follows:

Year incurred	Availment Period	NOLCO	MCIT
2017	2018-2020	₱39,000	₱–
2018	2019-2021	39,000	–
2019	2020-2022	39,000	515
2020	2021-2025	4,023,310	–
2020	2021-2023	–	9,590
		4,140,310	₱10,105
Less expired in 2020		39,000	–
		₱4,101,310	₱10,105

19. **Related Party Disclosures**

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

Transactions with related parties comprise of the following:

	Amount/ Volume	Outstanding balance	Terms	Conditions
Stockholder				
Trans-Pacific				
Loans payable to a stockholder				
2020	**₱–**	**₱144,069,000**	Non-interest bearing until 2019, payable on demand; to be settled in cash	Unsecured and unguaranteed
2019	–	151,920,000		
Stockholder				
Malaysia Garment				
Restructured loans (Note 11)				
2020	**₱–**	**₱930,132,682**	Subject to financial restructuring	Secured by first and second MTIs
2019	–	**930,132,682**		
Accrued interest payable				
2020	₱18,331,964	**₱459,829,146**	Portion is subject to financial restructuring; payable in cash	Unsecured and unguaranteed
2019	18,731,973	441,497,182		

a. The Group availed of working capital US$-denominated loan payable amounting to US$3 million from Trans-Pacific, a major stockholder, with fixed interest rate. In 2001, there was a modification in the agreement of the parties, the modified terms include non-accrual on interest beginning that year. Payment of interest, amounting to nil and ₱950,000, were made in 2020 and 2019, respectively. There were no availments nor were payments of the principal loan in 2020 and 2019.

b. The Group has an outstanding loan with Malaysia Garment secured by first and second MTI amounting to ₱155,684,615 and ₱774,448,067, respectively, totaling to ₱930,132,682 (see Note 11).

   Accrued interest on the above loans amounted to ₱459,963,811 and ₱441,497,182 as at December 31, 2020 and 2019, out of which interest amounting to ₱388,183,656 will form part of the restructured loans subject to financial restructuring.

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

<u>Compensation of Key Management Personnel of the Group</u>
The Group considers as key management personnel all employees holding managerial positions up to president. Compensation of key management personnel amounted to ₱929,026, ₱892,820 and ₱835,842 in 2020, 2019 and 2018 respectively.

20. **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, 2020 and 2019.

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, 2020 and 2019.

				2020					
		Net Benefit Cost in Profit or Loss				**Remeasurements in Other Comprehensive Income**			
	January 1, 2020	**Current Service Cost**	**Net interest Cost (Income)**	**Subtotal**	**Benefits Paid**	**Return on plan assets**	**Actuarial Loss (Gains) on Defined Benefit Obligation**	**Subtotal**	**December 31, 2020**
Present value of defined benefit obligation	**₱3,448,449**	**₱84,649**	**₱–**	**₱84,649**	**₱–**	**₱–**	**₱75,156**	**₱75,156**	**₱3,608,254**
Fair value of plan asset	**(29,146,719)**	**–**	**–**	**–**	**–**	**(1,692,923)**	**–**	**(1,692,923)**	**(30,839,642)**
Net plan assets	**(₱25,698,270)**	**₱84,649**	**₱–**	**₱84,649**	**₱–**	**(₱1,692,923)**	**₱75,156**	**(₱1,617,767)**	**(₱27,231,388)**

				2020					
		Net Benefit Cost in Profit or Loss				Remeasurements in Other Comprehensive Income			
	January 1, 2019	Current Service Cost	Net interest Cost (Income)	Subtotal	Benefits Paid	Return on plan assets	Actuarial Loss (Gains) on Defined Benefit Obligation	Subtotal	December 31, 2019
Present value of defined benefit obligation	₱3,363,898	₱84,652	₱–	₱84,652	₱–	₱–	(₱101)	(₱101)	₱3,448,449
Fair value of plan asset	(27,325,259)	–	–	–	–	(1,821,460)	–	(1,821,460)	(29,146,719)
Net plan assets	(₱23,961,361)	₱84,652	₱–	₱84,652	₱–	(₱1,821,460)	(₱101)	(₱1,821,561)	(₱25,698,270)

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:

	2020	2019
Cash	**₱1,433,747**	₱1,493,637
Government securities	**25,543,101**	24,064,702
Equity securities	**3,759,975**	3,542,352
Accrued income receivable	**150,142**	90,740
Trust fee payable	**(47,323)**	(44,712)
	₱30,839,642	₱29,146,719

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

Assumptions regarding future mortality rate are based on 2017 Philippine Intercompany Mortality Table.

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)	**2020**	2019
Discount rates	+1%	**₱3,584,552**	₱3,426,555
	-1%	**3,608,254**	3,470,705
Salary increase rate	+1%	**3,643,979**	3,482,592
	-1%	**3,572,529**	3,414,306

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

	2020	2019
Less than one year	₱3,669,292	₱3,582,725

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 ₱30,839,642 and ₱29,146,719 as at December 31, 2020 and 2019, respectively. There were no any other transactions between the Parent Company and the retirement fund trustee.

21. Non-Controlling Interests

Proportion of equity interest held by NCIs:

	Principal Place of Business	**2020**
IKAC	Philippines	**77.08%**
SRTC	Philippines	**56.98%**

Equity attributable to material NCI:

	2020	2019
IKAC	**(₱16,650,136)**	(₱16,603,754)
SRTC	**226,480**	226,480
Total	**(₱16,423,656)**	(₱16,377,274)

Net income (loss) attributable to material NCI:

	2020	2019	2018
IKAC	**₱46,382**	**₱40**	₱25,686
SRTC	–	**(16,778)**	(16,778)
	₱46,382	**(₱16,738)**	₱8,908

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

Summarized statements of financial position, statements of comprehensive income and cash flow information for all the years ended December 31 of IKAC, a subsidiary with material NCI, are as follows. This information is based on amounts before inter-Group eliminations.

	2020	2019
Current assets	₱1,282,530	₱1,456,743
Noncurrent assets	19,510,000	19,510,000
Current liabilities	(90,308,811)	(90,280,682)
Noncurrent liabilities	(3,128,266)	(3,128,266)
Total capital deficiency	(₱72,644,547)	(₱72,442,205)
Attributable to equity holders of parent	(₱55,994,417)	(₱55,838,451)
NCI	(16,650,130)	(16,603,754)

	2020	2019	2018
Revenues	**₱685,000**	₱806,750	₱919,000
Cost of services	**(205,513)**	(247,526)	(235,525)
Operating expenses	**(675,919)**	(552,871)	(538,165)
Interest income	**3,680**	5,006	4,439
Income (loss) before income tax	**(192,752)**	11,359	149,749
Provision for income tax	**(9,590)**	(11,184)	(37,679)
Net income (loss)	**(202,342)**	175	112,070
OCI	**–**	–	–
Total comprehensive income (loss)	**(202,342)**	175	112,070
Attributable to NCI	**(₱46,382)**	(₱40)	(₱25,686)
Net increase (decrease) in cash from operating activities	**(₱174,213)**	₱115,525	₱118,876

22. Operating Segment Information

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

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

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

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

	2020				
	Leasing	**Others**	**Total**	**Eliminations**	**Consolidated**
Revenue	**₱36,411**	**₱–**	**₱36,411**	**₱–**	**₱36,411**
Costs and operating expenses	**(23,135)**	**(6,418)**	**(29,553)**	**–**	**(29,553)**
Financial income (charges) - net	**(18,777)**	**–**	**(18,777)**	**–**	**(18,777)**
Other income - net	**8,830**	**–**	**8,830**	**–**	**8,830**
Loss before income tax	**3,329**	**(6,418)**	**(3,089)**	**–**	**(3,089)**
Provision for income tax	**(4,341)**	**–**	**(4,341)**	**–**	**(4,341)**
Net loss	**(₱1,012)**	**(₱6,418)**	**(₱7,430)**	**₱–**	**(₱7,430)**
Other comprehensive loss - net of tax	**₱1,132**	**₱–**	**1,132**	**₱–**	**₱1,132**
Total comprehensive loss	**₱120**	**(₱6,418)**	**(₱6,298)**	**₱–**	**(₱6,298)**
OTHER INFORMATION					
Segment assets	**₱1,012,785**	**₱538,035**	**₱1,550,820**	**(₱31,417)**	**₱1,519,403**
Segment liabilities	**1,790,035**	**517,706**	**2,307,741**	**(76,124)**	**₱2,231,617**
Investment in associate	**1**	**–**	**1**	**–**	**1**
Capital expenditures	**–**	**507,500**	**507,500**	**–**	**507,500**

	2019				
	Leasing	Others	Total	Eliminations	Consolidated
Revenue	₱39,505	₱–	₱39,505	₱–	₱39,505
Costs and operating expenses	(30,055)	(39)	(30,094)	–	(30,094)
Financial income (charges) - net	(18,590)	–	(18,590)	–	(18,590)
Other income - net	6,252	–	6,252	–	6,252
Loss before income tax	(2,888)	(39)	(2,927)	–	(2,927)
Provision for income tax	(5,174)	–	(5,174)	–	(5,174)
Net loss	(₱8,062)	(₱39)	(₱8,101)	₱–	(₱8,101)
Other comprehensive loss - net of tax	(₱63,168)	₱–	(₱63,168)	₱–	(₱63,168)
Total comprehensive loss	(₱71,230)	(₱39)	(₱71,269)	₱–	(₱71,269)
OTHER INFORMATION					
Segment assets	₱1,022,489	₱26,794	₱1,049,283	(₱51,109)	₱998,174
Segment liabilities	1,798,626	1,268	1,799,894	(95,804)	₱1,704,090
Investment in associate – at cost	1	–	1	–	1

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

Majority of the revenue of the Group, through the Parent Group and IKAC, are from various tenants renting on its investment properties covered by lease agreements (see Note 14).

The geographical information of the Group are as follows:

Revenue from external customers:

	2020	2019
Sta. Rosa, Laguna	**₱35,604,339**	₱38,697,740
Pontevedra, Capiz	**806,750**	806,750
Gen. Mariano Alvarez, Cavite	**–**	–
	₱36,411,089	₱39,504,490

The revenue information above is based on the locations of the customers. Revenue from one customer amounted to ₱7,964,120 and ₱11,763,945 in 2020 and 2019, respectively, arising from the leasing segment.

Non-current operating assets:

	2020	2019
Sta. Rosa, Laguna	**₱750,045,000**	₱750,045,000
Gen. Mariano Alvarez, Cavite	**148,612,147**	148,612,147
Pontevedra, Capiz	**19,510,000**	19,510,000
	₱918,167,147	₱918,167,147

Noncurrent assets for this purpose consist of investment properties.

23. Financial Risk Management Objectives and Policies and Capital Management

Financial Risk Management Objectives and Policies

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

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

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

The Group has three types of financial assets that are subject to the expected credit loss model which is cash and cash equivalents, 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, 2020, the maximum exposure to credit risk is the carrying value of each class of financial assets.

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

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2020 and 2019.

	2020	2019
Cash and cash equivalents:		
Cash in banks	**₱60,100,654**	₱49,626,020
Cash equivalents	**2,163,333**	2,139,510
Refundable deposits	**221,768**	826,165
Other receivables	**1,941,608**	829,887
	₱64,427,363	₱53,421,582

The aging analysis of financial assets follows:

	2020					
		Days Past Due				
	Current	**60 Days**	**180 Days**	**More than 180 Days**	**ECL**	**Total**
Cash in bank	**₱60,100,654**	**₱–**	**₱–**	**₱–**	**₱–**	**₱60,100,654**
Cash equivalents	**2,163,333**	–	–	–	–	**2,163,333**
Refundable deposits	**221,768**	–	–	–	–	**221,768**
Other receivables	**1,941,608**	–	–	–	–	**1,941,608**
	₱64,427,363	**₱–**	**₱–**	**₱–**	**₱–**	**₱64,427,363**

	2019					
		Days Past Due				
	Current	60 Days	180 Days	More than 180 Days	ECL	Total
Cash in bank	₱49,626,020	₱–	₱–	₱–	₱–	₱49,626,020
Cash equivalents	**2,139,510**	–	–	–	–	**2,139,510**
Refundable deposits	826,165	–	–	–	–	826,165
Other receivables	829,887	–	–	–	–	829,887
	₱53,421,582	₱–	₱–	₱–	₱–	₱53,421,582

Credit risk under general and simplified approach

	2020				
	General Approach			**Simplified Approach**	
	Stage 1	**Stage 2**	**Stage 3**		**Total**
Cash in banks	**₱60,100,654**	**₱–**	**₱–**	**₱–**	**₱60,100,654**
Cash equivalents	2,163,333	–			2,163,333
Refundable deposits	221,768	–	–	–	221,768
Other receivables	1,941,608	–	–	–	1,941,608
	₱64,427,363	**₱–**	**₱–**	**₱–**	**₱64,427,363**

	2019				
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		Total
Cash in banks	₱49,626,020	₱–	₱–	₱–	₱49,626,020
Cash equivalents	2,139,510	–	–	–	2,139,510
Refundable deposits	826,165	–	–	–	826,165
Other receivables	829,887	–	–	–	829,887
	₱53,421,582	₱–	₱–	₱–	₱53,421,582

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

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

The amounts disclosed in the table below are the contractual undiscounted cash flows as at December 31, 2020 and 2019 which are all due and demandable:

2020	**On Demand**	**Within one Year**	**Over one Year**	**Total**
Financial liabilities				
Accounts and other payables	**₱501,912,246**	**₱–**	**₱–**	**₱501,912,246**
Loans payable	**1,583,245,482**	**–**	**–**	**1,583,245,482**
	₱2,085,157,728	**₱–**	**₱–**	**₱2,085,157,728**

2019	On Demand	Within one Year	Over one Year	Total
Financial liabilities				
Accounts and other payables	₱475,096,562	₱–	₱–	₱475,096,562
Loans payable	1,082,052,682	–	–	1,082,052,682
Due to a related party	25,000,000	–	–	25,000,000
	₱1,582,149,244	₱–	₱–	₱1,582,149,244

Changes in liabilities arising from financing activities

	2020			
	January 1	**Cash flows**	**Others**	**December 31**
Loans payable	**₱151,920,000**	**₱510,176,237**	**(₱8,983,437)**	**₱653,112,800**

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 Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial and cash flows.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is engaged.
The Group's foreign currency-denominated financial asset and liability as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Financial Asset				
Cash in bank	**$6,663**	**₱319,977**	$6,663	₱337,414
Financial Liability				
Loans payable to a stockholder	**(3,000,000)**	**(144,069,000)**	(3,000,000)	(151,920,000)
Net financial liability	**($2,993,337)**	**(₱143,749,023)**	($2,993,337)	(₱151,582,586)

As at December 31, 2020 and 2019, the exchange rates of the Philippine peso to the US$ are ₱48.02 and ₱50.64 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 Group's income before tax as at December 31, 2020 and 2019 is as follows:

	Change in foreign exchange rate	Effect in loss before income tax
2020	**+0.11**	**(₱329,267)**
	-0.47	**1,406,868**
2019	+0.61	(₱1,825,936)
	-0.63	1,885,802

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2020 and 2019. The Group has no to externally imposed capital requirement.

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

24. **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.

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

Investment Properties
The fair value of the investment properties has been categorized under the Level 2 which were determined based on the valuations performed by third party appraiser using Market Approach for land (see Note 9).

25. **Events after the End of Reporting Period**

CREATE Act
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 1.5%. This will result in lower provision for current income tax for the year ended December 31, 2020. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

<u>COVID 19 Pandemic</u>
In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended until May 15, 2020. On May 12, 2020, this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed.

The community quarantine classification was subsequently extended or changed as follows:

Classification	Effectivity
General community quarantine	June 1 – August 1, 2020
Modified enhanced community quarantine	August 2 – 18, 2020
General community quarantine	August 19, 2020 – March 31, 2021
Enhanced community quarantine	April 1, 2021 – April 11, 2021
Modified enhanced community quarantine	April 12, 2021 – May 15, 2021
General community quarantine	May 16, 2021 – June 30, 2021

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

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

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
SEC Accreditation No. 1700-A (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 178-486-845
BIR Accreditation No. 08-001998-094-2020,
July 27, 2020, valid until July 26, 2023
PTR No. 8534246, January 4, 2021, Makati City

July 1, 2021

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of FILSYN Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 2019 and 2018 and have issued our report thereon dated July 1, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
SEC Accreditation No. 1700-A (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 178-486-845
BIR Accreditation No. 08-001998-094-2020,
July 27, 2020, valid until July 26, 2023
PTR No. 8534246, January 4, 2021, Makati City

July 1, 2021

FILSYN CORPORATION AND SUBSIDIARIES
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DECEMBER 31, 2020

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- Consolidated Statements of Comprehensive Income
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- Schedule II: Financial Soundness Indicators
- Schedule III: Map of the Relationships of the Companies Within the Group
- Supplementary Schedules under Annex 68-J
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SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2020

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

NOT APPLICABLE

Unappropriated Retained Ear

Adjustments:

Unappropriated Retained Earnings, as adjusted, beginning

Add: Net income actually earned/realized during the period

Net loss during the period closed to Retained Earnings

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

Subtotal

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

Subtotal

Net loss actually earned during the period

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

Subtotal

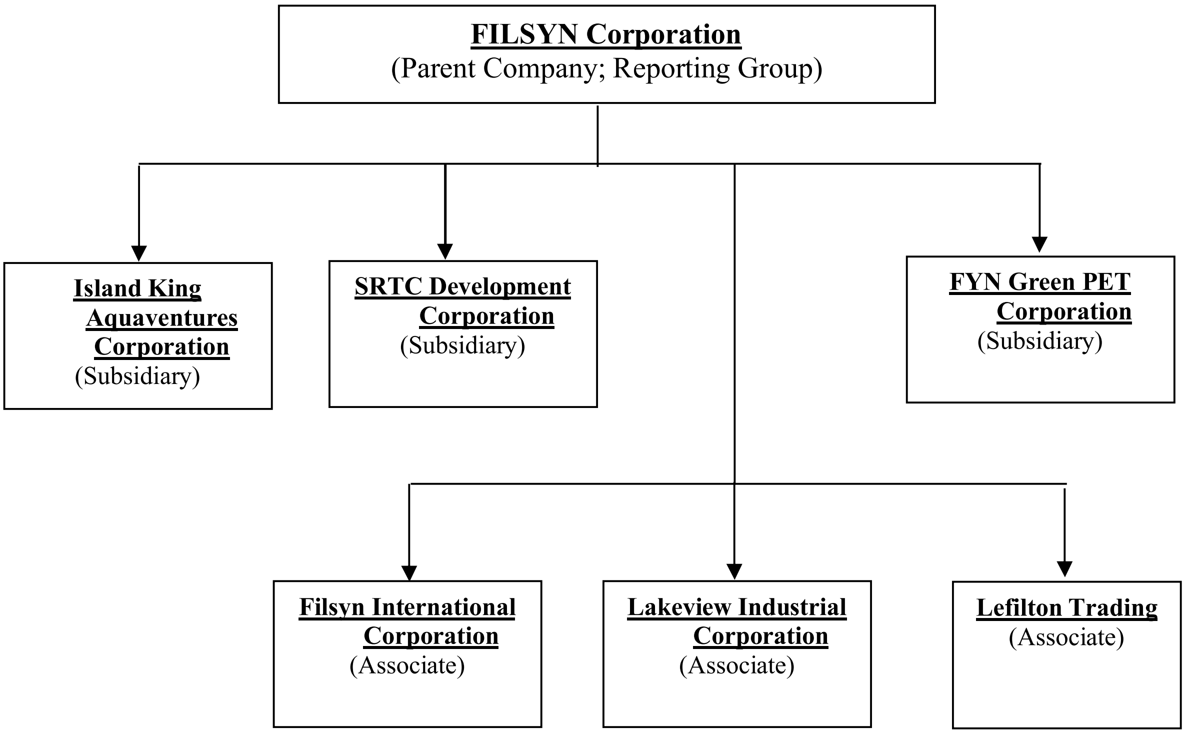
TOTAL RETAINED EARNINGS, END
AVAILABLE FOR DIVIDEND

SCHEDULE II
FILSYN CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2020 (in thousands)

Ratio	Formula		2020	2019
	Total Current Assets divided by Total Current Liabilities			
	Total Current Assets	₱66,504		
	Divided by: Total Current Liabilities	2,088,265		
Current ratio	Current Ratio	0.03	0.03: 1	0.05: 1
	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			
	Total Current Assets	₱66,504		
	Less: Inventories	–		
	Other current assets	4,203		
	Quick assets	62,301		
	Divided by: Total Current Liabilities	2,088,265		
Acid test ratio	Acid test ratio	0.03	0.03: 1	0.03: 1
	Net income plus Noncash expenses divided by Short term liabilities plus Long term liabilities			
	Net Income	(₱7,430)		
	Add: Noncash Expenses			
	Depreciation	–		
		(7,430)		
	Divided by: Total Liabilities	2,231,617		
Solvency ratio	Solvency ratio	0.00	0.00: 1	0.04: 1
	Total Liabilities divided by Total Shareholder's Equity			
	Total Liabilities	₱2,231,617		
	Divided by: Total Shareholder's Equity	(712,214)		
Debt to equity ratio	Debt to equity ratio	(3.13)	(3.13): 1	(2.45): 1
	Total Assets divided by Total Shareholder's Equity			
	Total Assets	₱1,519,402		
	Divided by: Total Shareholder's Equity	(712,214)		
Asset to equity ratio	Asset to equity ratio	(2.13)	(2.13): 1	(1.45): 1
	Earnings before interest and taxes (EBIT) divided by Interest expense			
	EBIT	₱15,687		
	Divided by: Interest Expense	(18,867)		
Interest rate coverage ratio	Interest rate coverage ratio	(0.83)	(0.84): 1	(0.84): 1
	Net Income divided by Total Shareholder's Equity			
	Net Loss	(₱7,430)		
	Divided by: Total Shareholder's Equity	(712,204)		
Return on equity	Return on equity	1.04%	1.04%	1.15%
	Net Income divided by Average Total Assets			
	Net Loss after income tax	(₱7,430)		
	Divided by: Average Total Assets	1,258,788		
Return on assets	Return on assets	(0.59%)	(0.58%)	(0.82%)

Ratio	Formula		2020	2019
	Net Income divided by Revenue			
	Net income	(₱7,430)		
	Divided by: Revenue	36,411		
Net profit margin	Net profit margin	(20.41%)	(20.41%)	(20.51%)
	Gross Profit divided by Revenue			
	Gross Profit	₱6,858		
Operating profit margin	Divided by: Revenue	36,411		
	Net profit margin	18.84%	18.84%	23.82%

SCHEDULE III
FILSYN CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2020



SCHEDULE A

FILSYN CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
AS AT DECEMBER 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the Statement of Financial	Value based on Market Quotation at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	₱62,263,987	₱62,263,987	₱89,624
Refundable deposits	N/A	221,768	221,768	–
		₱62,485,755	₱62,485,755	₱89,624

SCHEDULE B

FILSYN CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

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

NOT APPLICABLE

SCHEDULE C

FILSYN CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end period
IKAC	₱85,902,615	₱11,182	₱–	₱–	₱85,913,797	₱–	₱85,913,798
FYN Green	₱1,108,800	₱5,308,394	₱–	₱–	₱6,417,194	₱–	₱6,417,194

SCHEDULE D

FILSYN CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT (RESTRUCTURED LOANS)
DECEMBER 31, 2020

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

SCHEDULE E

FILSYN CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020

Name of Related Party	Balance at beginning of period	Balance at end of period
Trans-Pacific Oriental Holding Group, Inc.	₱151,920,000	₱144,069,000

SCHEDULE F

FILSYN CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020

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

NOT APPLICABLE

SCHEDULE G

FILSYN CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding Shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By: Related Parties	Number of Shares Held By: Directors, Officers and Employees	Number of Shares Held By: Others
COMMON STOCK						
Class A	144,000,000	123,747,707	–	63,758,181	124,652	60,044,874
Class B	96,000,000	82,498,474	–	45,065,670	100,002	37,332,802
	240,000,000	206,246,181	–	108,643,851	224,654	97,377,676