

FILSYN CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

BASIS OF PREPARATIONS, STATEMENT OF COMPLIANCE AND SUMMARY OF
SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of Preparation

The accompanying interim financial statements as of June 30, 2017 have been prepared under the historical cost basis. These statements are presented in Philippine peso which is the company's functional and presentation currency under the Philippine Financial Reporting Standard (PFRS). All values are in (P000).

Statement of Compliance

- » The accompanying interim financial statements are presented in compliance with PFRS.
- » The accounting policies and methods adopted in said interim financial statements are the same as those in the annual financial statements for the year ended December 31, 2016.
- » The adoption of PAS 34 in the interim financial statements did not have any material impact on the financial position or performance of the company.
- » That the company is still not in commercial operation.
- » There were no transactions unusual in nature, size or incidents during the period that will have a material effect in the interim financial statements.
- » There were no issuances, repurchases, and repayment of debts and equity securities.
- » There were no dividends declared/paid during the period.
- » There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- » There were no changes in the composition of the issuer during the interim period.
- » There were no changes in contingent liabilities and contingent assets since December 31, 2016.
- » There were no material contingencies and any other credits or transactions existing that will materially affect the interim financial statements for the period ended June 30, 2017.
- » The main sources of funds consist mainly of warehouse rental income and disposal of old buildings and equipments.

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. As at June 30, 2017, the parties have not yet formally executed the "Dacion En Pago" arrangement.