

Annex A

FILSYN CORPORATION List of Pending Case/Proceeding

Criminal Case No. OMB-C-04-0423-I

Office of the Ombudsman

“Special Presidential Task Force 156 vs. Antonio P. Belicena, et al.”

Date Filed – 28 June 2004

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Nature: Case brought by Special Presidential Task Force 156 against former and some of the present Board of Directors and some officers of Filsyn Corporation for preliminary investigation of charge of Estafa through Falsification of Public Documents and violation of Section 3(e) of Republic Act No. 3019, as amended, arising out of the transfer of Tax Credit Certificates amounting to about Php 13.5 Million to Integrated Multi Cotton Mills, Inc.

Status:

- “Counter-Affidavit” filed on 9 November 2004 for each respondent duly served.
- Dismissal of case sought
- Submitted for resolution
- Investigating Prosecutor has not yet resolved the matter.

*Involuntary Delisting Proceedings involving Filsyn Corporation
Philippine Stock Exchange (“PSE”)*

Nature: The grounds for the initiation of involuntary delisting proceedings involving Filsyn Corporation are due to the (1) revocation of its registration of securities and permit to sell securities; and (2) negative stockholders’ equity.

Status: On 3 February 2023, the Corporation received the PSE Letter notifying the Corporation that it has initiated involuntary delisting proceedings involving the Corporation.

On 27 February 2023, the Corporation submitted its Position Paper to the PSE.

On 3 April 2023, representatives of the Corporation participated in a hearing conducted by the PSE relating to the involuntary delisting proceedings involving the Corporation.

The Corporation requested the PSE that (1) the involuntary delisting proceedings be suspended; and (2) it be allowed to complete the requirements for its amended registration statement and application for the financial restructuring plan with the Securities and Exchange Commission (“SEC”) until the end of 2023.

On 2 May 2023, the Corporation received, the PSE’s Letter-Decision dated 28 April 2023 granting the Corporation’s request to:

- (1) Suspend the involuntary delisting proceedings against the Corporation; and
- (2) Allow the Corporation until 29 December 2023 to complete the requirements of the SEC to amend its registration statement and its application for its financial restructuring plan, thereby obtaining (a) an effective registration of securities and permit to sell securities with the SEC and (b) attaining a positive stockholders’ equity.

MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS OF
FILSYN CORPORATION
Held on September 15, 2022

Held at Unit 8 5B Floor Pearlbank Centre
146 Valero St., Salcedo Village
Makati City

PRESENT:

[Please see attached Summary of Attendance, Annex "A"]

1. Call to Order

The Chairperson, Ms. Consolacion A. Sanchez, called the meeting to order and presided over the same. The Corporate Secretary, Ms. Melyjane G. Bertillo-Ancheta, recorded the minutes of the proceedings.

The Chairperson informed everyone in attendance that the meeting is being electronically recorded in accordance with Section 14 of the SEC Memorandum Circular No. 6 Series of 2020 which provides in part, "In case the election or meeting was conducted through teleconferencing or any other similar means, a visual and audio recording of the election or meeting should be secured."

2. Certification of Notice and Quorum

The Corporate Secretary certified that notices of today's meeting were sent to all stockholders of record through the Stock Transfer Agent in accordance with the company's By-Laws and that the Definitive Information Statement was disclosed to the SEC and the PSE. The Corporate Secretary also certified that, on the basis of her examination of the record of attendance of the stockholders' present in person and by proxy, a quorum was present for the transaction of business by the stockholders, there being present at least 2/3 of the total outstanding capital stock, either in person or represented by proxy (*see* Summary of Attendance, Annex "A").

3. Approval of the Minutes of the Previous Meeting held on November 11, 2021

The Corporate Secretary noted that copies of the minutes of the annual meeting of the stockholders held on November 11, 2021 were distributed and made available to the stockholders present. Upon motion made and seconded, the reading of said minutes was dispensed with and the minutes were approved.

4. Management Report for 2021

The Corporate Secretary noted that copies of the management report for the year 2021 were distributed and made available to the stockholders present and that the management report forms part of the Definitive Information Statement for this meeting. Upon motion made and seconded, the reading of the said management report

was dispensed with and the management report was duly noted. For the record, a copy of the Management Report for the year 2021 is hereto attached as Annex “B”.

5. Approval of the Annual Report and the Audited Financial Statements for the year 2021

The Chairperson noted that copies of the Annual Report and the Audited Financial Statements for the year 2021 were furnished and made available to the stockholders. Upon motion made and seconded, the Annual Report for 2021 together with the Audited Financial Statements and the accompanying explanatory notes were approved.

6. Ratification and Confirmation of Corporate Acts

The Corporate Secretary noted that the acts for ratification were listed in the Definitive Information Statement.

Upon motion made and seconded, the stockholders ratified all acts of the Board of Directors and Management as disclosed in the corporate records from the date of the last annual meeting (November 11, 2021) up to the date of the present meeting (September 15, 2022).

7. Election of Directors for the term 2022-2023

The Chairperson then declared the table open for nominations for the election of the members of the Board of Directors of the company for the term 2022-2023.

Upon nominations made and seconded, the following stockholders were elected directors of the company for the term 2022-2023 and until their successors shall have been duly elected and qualified:

1. RENATO V. DIAZ (INDEPENDENT DIRECTOR)
2. EVELYN LIM FORBES
3. FLORENTINO M. HERRERA III
4. MA. BELINA B. MARIANO
5. CONSOLACION A. SANCHEZ (INDEPENDENT DIRECTOR)
6. JAIME M. STO. DOMINGO
7. SAMUEL V. TORRES (INDEPENDENT DIRECTOR)
8. BING CHANG
9. AMY HUANG
10. ALAN TSAI
11. DAVID WANG

8. Appointment of External Auditor for the term 2022-2023

Upon motion made and seconded, the stockholders re-appointed SyCip Gorres Velayo & Co. (SGV) as the external auditor of the company for the term 2022-2023.

9. Adjournment

There being no further business to transact, the meeting was thereupon adjourned.

A T T E S T:

CONSOLACION A. SANCHEZ
Chairperson of the Board

MELYJANE G. BERTILLO-ANCHETA
Corporate Secretary

FILSYN CORPORATION
ANNUAL STOCKHOLDERS' MEETING
September 15, 2022

SUMMARY OF ATTENDANCE

PRESENT

<u>STOCKHOLDER</u>	<u>NO. OF SHARES</u>
(a) In person, via remote communication (Zoom application) or by proxy	Equivalent to 70.39%
(b) Total no. of shares issued and outstanding	206,246,181

Filsyn Corporation
Annual Stockholders Meeting
September 15, 2022

Stockholder	Percentage	Named Proxy
Trans-Pacific Oriental Holdings Co., Inc.	30.83	David Wang
Far Eastern Investment Holding Ltd.	21.85	David Wang
Malaysia Garment Manufacturers (Pte) Ltd.	9.95	David Wang
Malaysia Garment Manufacturers (Pte) Ltd. (formerly shares of Chinatrust (Phils.) Escrow A/C#269-4)	6.26	David Wang
Phil. Carpet Manufacturing Corporation	1.00	David Lim
Malaysian Insurance Co., Inc.	0.00	Anthony D. Centeno
Capital Garment Corporation	0.23	David Lim
Lepanto Investment & Dev. Corp.	0.22	Belina B. Mariano
Lipave Management Corporation	0.04	Evelyn Lim Forbes
PLLIM Insurance Agency and Investments, Inc.	0.01	David Lim
Lipave Management Corporation	0.00	David Lim
David Eduardo T. Lim	0.00	Evelyn Lim Forbes
Ma. Belina B. Mariano	0.00	Evelyn Lim Forbes
Felipe Yap	0.00	Belina Mariano
David Wang	0.00	
Amy Huang	0.00	
Alan Tsai	0.00	
Consolacion Sanchez	0.00	
Jaime M. Sto. Domingo	0.00	
Samuel V. Torres	0.00	
Ma. Belina Mariano	0.00	
Renato V. Diaz	0.00	
Evelyn Lim Forbes	0.00	
Florentino M. Herrera III	0.00	
Total	70.39	

FILSYN CORPORATION MANAGEMENT REPORT FOR THE YEAR 2023

The Corporation continues to derive its income mainly from leasing warehouses and commercial spaces. Given the pandemic that has affected most of the businesses in the country, the corporation is fortunate to continue to derive from its operation, sufficient income to cover all of the Company's operating and miscellaneous expenses.

The Sta. Rosa property, which is the biggest asset of the Corporation, has a fair market value (FMV) of P10,000.00 per square meter, as determined by an Independent firm of Appraiser last December 31, 2022. Compared to last year's FMV of P8,900.00 per square meter, there was an increase of P1,100.00 per square meter. The property has now a FMV of about P3,000.00 Million, more or less.

The General Mariano Alvarez (GMA) property's FMV likewise increased, although slightly, to P3,200.00 per square meter from P3,000.00 per square meter last year as determined by the same Independent Firm of Appraiser last December 31, 2022. The total FMV of the property is now about P520 Million, more or less.

The Corporation's Total Assets based on audited Consolidated Financial Statements is P2,006.04 Million as of end of 2022.

The Total Current Liabilities is P2,499.91 Million as of end 2022. The increase was mainly due to the availment of additional loan by FYN Green PET Corporation (FYGP) amounting to P85.0 million, a subsidiary of Filsyn Corporation, and deposit for future stocks subscription that was received by FYGP from FE New Century Industry (Singapore) Pte. Ltd (FNCIS) amounting to USD4.5 million (P232.0 million). FYGP also has an existing payable to FNCIS for the acquisition of fixed assets amounting to P185.2 million.

The Corporation's outstanding loan with Chinatrust, amounting to about P1.3 Billion remains. However, the ownership of the loan was transferred to another company which later sold the loan to Malaysia Garment Manufacturers (Pte) Ltd., a company incorporated in Singapore.

In preparation for the implementation of the Corporation's business plan as approved by the Board of Directors and Stockholders on September 21, 2017, the Corporation intends to settle its outstanding liabilities as of December 31, 2020 and obtain the release and cancellation of mortgage of its 30 has. Sta. Rosa property and to improve its financial position by wiping out deficiency.

Thus, corporate approvals were obtained on September 20, 2018 aimed at restructuring the Corporation's equity through the following corporate actions:

1. Reduction of the par value of all common shares from P5.00 to P2.50 per share;
2. Creation of Preferred Shares with special features by reclassifying 33,426,498 Common B shares held by foreign stockholders - creditors with par value of P2.50 per share; and

3. Conversion of restructured loans and interests amounting to a total of P1,318,316,337 to additional paid in capital by considering the amount as premium from the conversion of the 33,426,498 Common B shares held by foreign stockholders - creditors into Preferred shares.

Since the September 20, 2018 corporate approvals have not been implemented yet, and acting upon the advice of the financial advisor, SGV, the Corporation intends to amend further the restructuring plan by approving and implementing various corporate actions set out below, such that these new resolution shall supersede and revoke the September 20, 2018 resolution approving the amendments to the Seventh Article of the Articles of Incorporation of the Corporation.

A. Decrease in Authorized Capital Stocks and Reclassification or Conversion of 33,426,498 Class B shares into 33,426,498 Preferred Shares

1. Reduction of par value of all common shares from P5.00 per share to P0.50 per share;
2. Decrease the authorized capital stock from P1,200,000,000.00 to P120,000,000.00;
3. Treatment of the capital contributed in excess of the reduced par value as additional paid in capital;
4. Creation of Preferred shares by Reclassification of 33,426,498 Class B common shares into 33,426,498 Preferred shares with special features;
5. Subscription by Malaysia Garments Manufacturers (Pte) Ltd. to the 33,426,498 Preferred shares.

B. Increase in Capital Stocks

1. Increase of the Corporation's authorized capital stock from P120,000,000.00 to P647,306,477.72 consisting of:
 - a) 440,229,812 Class A Common Shares with par Value of P0.50 per share or an aggregate par value of P220,114,906.00;
 - b) 293,486,507 Class B Common Shares with par Value of P0.50 per share or an aggregate par value of P146,743,253.50;
 - c) 33,426,498 Preferred Shares with a par value of P8.39 per share or an aggregate par value of P280,448,318.22.
2. Subscription of Malaysia Garments Manufacturers (Pte) Ltd. to increase in par value of the 33,426,498 Preferred Shares amounting to P263,735,069.22.
3. Conversion of debt owed to Malaysia Garments Manufacturers (Pte) Ltd. by the Corporation amounting to P1,389,961,828 to equity as payment for the 33,426,498

Preferred Shares with excess of the debt over the par value of preferred shares recorded as Additional Paid in Capital.

C. Use of Additional Paid in Capital (APIC) to Wipe Out Deficit

1. Use of the APIC in the amount of P2,197,924,318.28 resulting from:

- a) existing APIC
- b) decrease in capital through reduction of par value
- c) conversion of debt to Malaysia Garments

to wipe all the accumulated deficit of the Corporation.

D. Filing of the Amended Articles of Incorporation of the Corporation and other documentary requirements with the SEC.

On June 26, 2023, the SEC approved the Corporation's Decrease/Increase in Authorized Capital Stock, Amendments to the Articles of Incorporation, and Equity Restructuring.

In May 2023, FYGP started its commercial operations. Based on financial estimates, FYGP will generate 18,000 tons of products per year which can be sold from USD1,400.00 per ton to USD1,480.00 per ton. This will translate to total sales of USD25,200.00 to USD26,640.00 and net income before tax from USD1,000.00 to USD2,500.00.



Florentino M. Herrera III
Chairman and President



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

The management of **Filsyn Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 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 consolidated 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 consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

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

FLORENTINO M. HERRERA III
Chairman and President

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

APOLINARIO L. POSIO
*Senior Vice President and Chief
Financial Officer*

Signed this _____ day of _____

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

MAKATI CITY

SUBSCRIBED AND SWORN to before me this APR 13 2023 day of 2023, affiants exhibiting to me their competent evidence of identity to be the same persons, as follows:

Name	Tax Identification No.
Florentino M. Herrera III	106-098-926
Apolinario L. Posio	108-734-589

Doc No. 476
Page No. 97;
Book No. XXVI
Series of 2023.

~~ATTY. GERVACIO B. ORTIZ JR.~~
Notary Public City of Makati
Until December 31, 2024
IBP No. 03729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg
Brgy. Pio Del Pilar, Makati City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Form Type
1 7 - A

Department requiring the report
C R M

Secondary License Type, If Applicable
N / A

COMPANY INFORMATION

Group's Email Address info@filsyncorp.com	Group's Telephone Number N/A	Mobile Number 09673155296
No. of Stockholders 515	Annual Meeting (Month / Day) September 15	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person Mr. Apolinario L. Posio	Email Address info@filsyncorp.com	Telephone Number/s N/A	Mobile Number 09673155296
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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.



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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, 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 ₱90.5 million and ₱11.6 million in 2022 and 2021, respectively, resulting in accumulated deficit amounting to ₱1,973.2 million and ₱1,882.7 million as at December 31, 2022 and 2021, respectively, and total capital deficiency amounting to ₱863.4 million and ₱755.4 million as at December 31, 2022 and 2021, respectively. Also, the Group's current liabilities exceeded its current assets by ₱2,277.9 million and ₱2,079.1 million as at December 31, 2022 and 2021, 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, 2022, 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, 2022, 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.



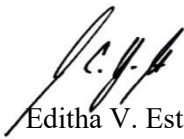
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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

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

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

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

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

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

April 28, 2023



FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021 (As restated, see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱89,351,228	₱54,646,425
Trade receivables (Note 14)	1,945,219	3,178,028
Inventories (Note 5)	109,428,877	–
Prepayments and other current assets - net (Note 6)	21,290,618	9,850,880
Total Current Assets	222,015,942	67,675,333
Noncurrent Assets		
Investment properties - at deemed cost (Note 9)	918,167,147	918,167,147
Property and equipment - net (Note 8)	828,011,349	497,376,971
Retirement plan assets (Note 20)	26,517,803	26,921,303
Advances to contractors (Note 8)	11,332,084	–
Other noncurrent assets (Note 7)	1	1
Total Noncurrent Assets	1,784,028,384	1,442,465,422
TOTAL ASSETS	₱2,006,044,326	₱1,510,140,755
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts and other payables (Note 10)	₱756,890,274	₱507,435,893
Loans payable (Note 11)	638,394,750	553,339,150
Current portion of long-term debt (Notes 11 and 19)	1,097,397,682	1,083,129,682
Due to a related party (Note 19)	6,000,000	–
Dividends payable (Note 12)	156,087	156,087
Income tax payable	1,072,887	2,735,772
Total Current Liabilities	2,499,911,680	2,146,796,584
Noncurrent Liabilities		
Deferred tax liabilities (Note 18)	118,639,959	118,740,834
Deposit for future stock subscription (Note 19)	250,897,500	–
Total Noncurrent Liabilities	369,537,459	118,740,834
Total Liabilities	2,869,449,139	2,265,537,418
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 (Note 20)	(1,537,789)	(1,300,089)
Cumulative translation adjustments (Note 1)	(47,358,067)	(30,081,131)
Deficit (Note 1)	(1,973,190,658)	(1,882,697,419)
	(847,265,864)	(739,257,989)
Non-controlling Interests (Note 21)	(16,138,949)	(16,138,674)
Total Capital Deficiency (Note 1)	(863,404,813)	(755,396,663)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	₱2,006,044,326	₱1,510,140,755

See accompanying Notes to Consolidated Financial Statements.



FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021 (As restated, see Note 2)	2020 (As restated, see Note 2)
REVENUES			
Rental income (Notes 9 and 14)	P55,002,672	P52,224,845	P36,411,089
COSTS AND OPERATING EXPENSES (Note 15)	(75,935,742)	(46,049,764)	(29,637,587)
OPERATING INCOME (LOSS)	(20,933,070)	6,175,081	6,773,502
OTHER INCOME (EXPENSES) – net			
Interest expense and bank charges (Note 16)	(49,235,009)	(27,183,385)	(18,866,629)
Interest income (Note 16)	57,026	61,342	89,624
Other income (expense) – net (Note 17)	(14,226,320)	(8,700,843)	7,563,253
	(63,404,303)	(35,822,886)	(11,213,752)
LOSS BEFORE INCOME TAX	(84,337,373)	(29,647,805)	(4,440,250)
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 18)	(6,156,141)	18,064,497	(4,340,968)
NET LOSS	(90,493,514)	(11,583,308)	(8,781,218)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Movements in cumulative translation adjustment (Note 1)	(17,276,936)	(31,431,890)	1,350,759
Remeasurement gain (loss) on retirement plan assets (Note 20)	(316,933)	223,518	1,617,767
Income tax effect	79,233	(55,880)	(485,330)
Other comprehensive income (loss), net of tax	(17,514,636)	(31,264,252)	2,483,196
TOTAL COMPREHENSIVE LOSS, NET OF TAX	(P108,008,150)	(P42,847,560)	(P6,298,022)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent	(P90,493,239)	(P11,868,290)	(P8,734,836)
Non-controlling interests (Note 21)	(275)	284,982	(46,382)
	(P90,493,514)	(P11,583,308)	(P8,781,218)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent	(P108,007,875)	(P43,132,542)	(P6,251,640)
Non-controlling interest (Note 21)	(275)	284,982	(46,382)
	(P) (P42,847,560)	(P6,298,022)	
LOSS PER SHARE			
Basic and diluted, for net loss attributable to equity holders of the parent (Note 13)	(P0.4388)	(P0.0575)	(P0.0424)

See accompanying Notes to Consolidated Financial Statements.



FILSYN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020**

	Equity attributable to equity holders of the parent							Non-controlling Interest (Note 21)	Total Capital Deficiency
	Capital Stock (Note 12)	Additional Paid-in Capital	Remeasurement Gain (Loss) on Retirement Plan Assets (Note 20)	Cumulative Translation Adjustment (Note 2)	Deficit (Note 2)	Total			
Balances at January 1, 2020	₱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, as restated (Note 2)	-	-	-	-	(8,734,836)	(8,734,836)	(46,382)	(8,781,218)	
Cumulative translation adjustment (Note 2)	-	-	-	1,350,759	-	1,350,759	-	1,350,759	
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	1,350,759	(8,734,836)	(6,251,640)	(46,382)	(6,298,022)	
Balances at December 31, 2020, as restated	₱1,031,230,905	₱143,589,745	(₱1,132,451)	₱1,350,759	(₱1,870,829,129)	(₱695,790,171)	(₱16,423,656)	(₱712,213,827)	
Net (loss) income, as restated	-	-	-	-	(11,868,290)	(11,868,290)	284,982	(11,583,308)	
Cumulative translation adjustment (Note 2)	-	-	-	(31,431,890)	-	(31,431,890)	-	(31,431,890)	
Remeasurement gain (loss) on retirement plan assets, net of tax (Note 20)	-	-	(167,638)	-	-	(167,638)	-	(167,638)	
Total comprehensive income (loss)	-	-	(167,638)	(31,431,890)	(11,868,290)	(43,467,818)	284,982	(43,182,836)	
Balances as at December 31, 2021, as restated	₱1,031,230,905	₱143,589,745	(₱1,300,089)	(₱30,081,131)	(₱1,882,697,419)	(739,257,989)	(₱16,138,674)	(₱755,396,663)	
Net loss	-	-	-	-	(90,493,239)	(90,493,239)	(275)	(90,493,514)	
Cumulative translation adjustment (Note 2)	-	-	-	(17,276,936)	-	(17,276,936)	-	(17,276,936)	
Remeasurement gain (loss) on retirement plan assets, net of tax (Note 20)	-	-	(237,700)	-	-	(237,700)	-	(237,700)	
Total comprehensive income (loss)	-	-	(237,700)	(17,276,936)	-	(17,514,636)	-	(17,514,636)	
Balances at December 31, 2022	₱1,031,230,905	₱143,589,745	(₱1,537,789)	(₱47,358,067)	(₱1,973,190,658)	(₱847,265,864)	(₱16,138,949)	(₱863,404,813)	

See accompanying Notes to Consolidated Financial Statements.



FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021 (As restated, see Note 2)	2020 (As restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱84,337,373)	(₱29,647,805)	(₱4,440,250)
Adjustments for:			
Interest expense (Notes 11 and 16)	38,823,208	27,183,385	18,866,629
Unrealized foreign exchange (gains) losses – net (Note 23)	(3,008,936)	9,041,711	(7,836,509)
Depreciation expense (Note 8)	14,300,422	13,641,594	–
Movement in retirement plan assets (Note 20)	403,500	310,085	(1,533,118)
Interest income (Notes 4 and 16)	(57,026)	(61,342)	(89,624)
Changes in working capital:			
Decrease (increase) in:			
Trade receivables	1,232,809	(1,236,421)	–
Inventories	(109,428,877)	–	–
Prepayments and other current assets	(14,296,862)	(9,303,997)	(3,411,863)
Increase (decrease) in accounts and other payables	231,229,925	(11,306,362)	33,325,466
Net cash generated from (used in) operations	74,860,790	(1,379,152)	34,880,731
Interest paid	(15,348,243)	(12,261,181)	–
Income taxes paid	(4,973,319)	(3,306,838)	(3,484,403)
Interest received	57,026	61,342	89,624
Net cash flows from (used in) operating activities	54,596,254	(16,885,829)	31,485,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 8)	(298,909,867)	(3,518,565)	(507,500,000)
Advances to contractors (Note 8)	(11,332,084)	–	–
Net Cash flows used in investing activities	(310,241,951)	(3,518,565)	(507,500,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from deposit for future stock subscription (Note 19)	250,897,500	–	–
Proceeds from loans payable (Note 11)	33,453,000	12,749,750	486,512,505
Increase in due to a related party (Note 19)	6,000,000	–	–
Net Cash flows from financing activities	290,350,500	12,749,750	486,512,505
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,704,803	(7,654,644)	10,498,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	54,646,425	62,301,069	51,802,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱89,351,228	₱54,646,425	₱62,301,069

See accompanying Notes to Consolidated Financial Statements.



FILSYN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Corporate Information

FILSYN Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 22, 1968 and is domiciled in the Republic of the Philippines. 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 which were all incorporated in the Philippines:

Subsidiaries	Nature of Business	2022	2021	2020
FYN Green PET Corporation (FYGP)	Manufacturing	100%	100%	100%
Island King Aquaventures Corporation (IKAC)	Leasing	77%	77%	77 %
SRTC Development Corporation (SRTC)	Under liquidation	57%	57%	57%

FYGP was registered with the Philippine SEC on June 6, 2019 primarily for 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 Dasmaringas City, Cavite .

IKAC was registered with the Philippine SEC on September 15, 1986 primarily to engage in the business of aquaculture and related activities. 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.

The Parent Company and subsidiaries are collectively referred to as "the Group".



Status of Operations

The Group incurred net loss of ₱90.5 million and ₱11.6 million in 2022 and 2021, respectively, resulting in accumulated deficit amounting to ₱1,973.2 million and ₱1,882.7 million as at December 31, 2022 and 2021, respectively, and total capital deficiency amounting to ₱863.4 million and ₱755.4 million as at December 31, 2022 and 2021, respectively. Also, the Group's current liabilities exceeded its current assets by ₱2,277.9 million and ₱2,079.1 million as at December 31, 2022 and 2021, 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.

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

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

Following the cessation of its operation in 2005, the operations of the 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 Board of Directors (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 Articles of Incorporation (AOI) to reflect the following:
1. Reduction of par value from ₱5.00 per share to ₱2.50 per share
 2. Creation of Preferred Shares with the following features:
 - Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares



- Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted), cumulative dividends and right to receive profit-participating stocks
- Veto Right – Right to veto the development of Sta. Rosa property such that the development project of said land must be approved by Preferred shareholders
- Exercise of voting right – The Preferred shareholders shall not have a right to vote, except on matter specific in Section Six of the Corporation Code of the Philippines and those relative to the development of Sta. Rosa Property and
- Convertible to Common Shares – Right to convert preferred shares to common shares using 16.78:1 conversion ratio at ₱2.50 per share

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

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

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

On September 20, 2018, the BOD formally authorized the filing of the Amended Registration Statement with the SEC which was filed on October 30, 2018.

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

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

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

This include the following approvals of the BOD:

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



- iv. Convertibility – The Preferred Shareholders shall, at their option, have the right to convert their preferred shares to common shares using 16.78:1 conversion ratio at ₱0.50 per share.

2. Increase in Capital Stock

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

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

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

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

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

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

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

In addition, the related parties, Malaysia Garments and Trans-Pacific Oriental Holding Company, Inc. (Trans-Pacific), have undertaken to support the Parent Company financially by not demanding payment of loans due to the former. Further, the Group will address its working capital requirements from the cash flows generated from its operations. Accordingly, the financial statements have been prepared on a going concern basis.



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

Notice of Involuntary Delisting

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

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

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

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

- a. There was no obstinate refusal on the part of the Parent Company to comply with the directives of the Exchange and the Securities and Exchange Commission ("SEC").
- b. The Parent Company, in utmost good faith, exerted serious efforts to comply with the SEC directives. All the corporate actions of Parent Company on the matter were timely and promptly disclosed to the Exchange.
- c. The SEC-Markets and Securities Regulation Department ("MSRD") will only act on the Parent Company's amended registration statement after the approval of the Parent Company's financial restructuring plan being reviewed by the SEC- Financial Analysis and Audit Division ("FAAD").
- d. The Parent Company will file its amended registration statement after it secures the SEC's approval of its financial restructuring plan. Thereafter, the Parent Company will request SEC-MSRD to issue the corresponding Order Lifting the Order of Revocation dated August 26, 2002 against the Parent Company.
- e. The conversion of the Parent Company's obligation to one of the Corporation's major creditors, Malaysia Garment Manufacturers Pte. Ltd, amounting to One Billion Three Hundred Eighty-Nine Million Nine Hundred Sixty-One Thousand Eight Hundred Twenty-Eight Pesos (Php1,389,961,828.00) into equity has effectively wiped-out the deficit amounting to Six Hundred Eighty-Nine Million Thirty-One Thousand One Hundred Forty-Six Pesos (Php689,031,146.00). The debt-to-equity conversion is part of the financial restructuring plan being carried out by the Parent Company. The deficit would have been wiped-out had the SEC-FAAD approved the Parent Company's financial restructuring plan.
- f. The involuntary delisting will be prejudicial to the Parent Company's stockholders who have been expecting that the trading suspension will be lifted soon and the financial restructuring plan approved in light of the actions being actively undertaken by the Parent Company.
- g. In 2019, parallel to its efforts to solve its capital deficiency, the Parent Company incorporated FYN Green PET Corporation ("FYGP"), a 100% wholly owned subsidiary, to provide cash flow and steady stream of revenues. FYGP will commence its commercial operations in May 2023.



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

Subsidiaries

On June 6, 2019 and May 21, 2020, FYGP was registered with the SEC and PEZA as Ecozone Enterprise, respectively. In 2020, FYGP acquired land and building to be used in its future operations. In 2021 and 2022, the Company purchased machineries and raw materials inventories. On March 14, 2023, FYGP submitted to PEZA its certification for the Start of Commercial Operation (SCO) and is expected to commence operations in May 2023.

Beginning 2012, IKAC ceased its normal operations as a producer of prawns and bangus and started renting out its investment property. The AOI of IKAC states that 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. Final liquidation will take place after approval of SRTC's liquidation application with the Philippine SEC. As at April 28, 2023, SRTC is in the process of accomplishing requirements needed for the cancellation of its registration with Bureau of Internal Revenue and Philippine SEC.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years ended December 31, 2022, were authorized for issuance by the BOD on April 28, 2023.

2. Basis of Preparation and Consolidation and Summary of Significant 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.

In 2022, because of the change in business circumstances of FYGP, management changed its functional currency from Philippine Peso (Php) to United States Dollar (USD) effective January 1, 2022. FYGP notified the SEC of its new functional currency on February 7, 2023.

In compliance with Philippine Accounting Standards (PAS) 21, *The Effects of Changes in Foreign Exchange Rates*, the effect of the change in functional currency was accounted for prospectively.



Balances of FYGP as of January 1, 2022 were translated using the exchange rate at the date of change and the resulting translated amounts for nonmonetary items are treated as their historical cost. The 2021 financial statements previously presented in PHP were translated to USD.

The 2021 and prior year consolidated financial statement of the group are restated for FYGP's change in functional currency. The Group did not present an additional consolidated statement of financial position as at December 31, 2020 since the impact on the consolidated assets and consolidated liabilities is not material.

The following reconciliation show the effect of translation of FYGP's financial statements from PHP to USD to the Group's consolidated statement of financial position as at December 31, 2021 and December 31, 2020, consolidated statements of comprehensive loss and statements of cashflows for the years ended December 31, 2021 and 2020:

Consolidated Statement of Financial Position

	As at December 31, 2021		
	As previously stated	Movement	As restated
Deficit	(₱1,912,778,550)	₱30,081,131	(₱1,882,697,419)
Cumulative translation adjustment	–	(30,081,131)	(30,081,131)

	As at December 31, 2020		
	As previously stated	Movement	As restated
Deficit	(₱1,869,478,370)	(₱1,350,759)	(₱1,870,829,129)
Cumulative translation adjustment	–	1,350,759	1,350,759

Consolidated Statement of Comprehensive Income

	For the year ended December 31, 2021		
	As previously stated	Movement	As restated
Net loss	(₱43,015,198)	₱31,431,890	(₱11,583,308)
Movement in cumulative translation adjustment	–	31,431,890	31,431,890

	For the year ended December 31, 2020		
	As previously stated	Movement	As restated
Net loss	(₱7,430,459)	(₱1,350,759)	(₱8,781,218)
Movement in cumulative translation adjustment	–	(1,350,759)	(1,350,759)



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.

New Standards, Interpretations and Amendments

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

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



- 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 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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



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

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).



Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group 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, trade receivables 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, 2022 and 2021.

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 Group’s statement of financial position) when:

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

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 Group 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 Group 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 Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 receivables and refundable 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 Group 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, 2022 and 2021.

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.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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



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

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted average method. The cost of raw materials includes all costs directly attributable to the acquisition, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities. Finished goods include the cost of raw materials, direct labor and proportion of manufacturing overhead based on the actual units produced.

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.

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.

Investment Properties

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

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

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.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of an item of property and equipment 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 property and equipment 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 property and equipment.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	<u>Number of Years</u>
Building	20
Machinery and plant equipment (long life)	15
Furniture and fixtures	7
Machinery and plant equipment (short life)	3 – 5
Office equipment	5
Transportation equipment	5

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 property and equipment 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.

The Group's constructions-in-progress are carried at cost and transferred to the related property, plant and equipment account when the construction and related activities to prepare the property for its intended use are complete



Impairment of Nonfinancial Assets

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.

Deposit for Future Subscriptions

An entity shall classify a contract to deliver its own equity instruments under equity as a separate account (e.g., Deposit for Stock Subscription) from "Outstanding Capital Stock" if and only if, all of the following requirements are present as of the end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission

The Group classifies Deposit for Future Stock Subscription as liability if the above requirements have not been met.



Capital Stock

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

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction in proceeds. The excess of proceeds from issuance of share over par value of share are credited to additional paid-in capital.

Deficit

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 Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing on the period of the transaction. Monetary assets and liabilities denominated in foreign currency are re-translated at the functional currency spot rate of exchange prevailing at the financial reporting date.

All differences are recognized in the consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Group Companies. The Philippine peso is the currency of the primary economic environment in which the parent Company and all other subsidiaries operate, except for FYGP.

The financial statements of the consolidated subsidiary with functional currency other than the Philippine peso are translated to Philippine peso as follows:

- Assets and liabilities using the closing rate of exchange prevailing at the financial reporting date;
- Components of equity using historical exchange rates; and
- Income and expenses using the monthly weighted average exchange rates for the year.

The exchange differences arising on the translation are recognized as other comprehensive income (loss) under "Cumulative translation adjustments" account. Upon disposal of any of these subsidiaries and associates, the deferred cumulative amount recognized in "Cumulative translation adjustments" relating to that particular subsidiary or associate will be recognized in the consolidated statement of income.

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 Company, by the weighted average number of common shares issued and outstanding during the year. The weighted average number of common shares issued and outstanding during the period and for all years presented are adjusted for events, other than the conversion of potential common shares, that have changed the number of common shares outstanding, without a corresponding change in resources. Diluted loss per share is calculated by dividing the loss



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

Operating Segment Information

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

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

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

Events After the End of the Reporting Period

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

3. 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.

Determination of Functional Currency of a Subsidiary

The entities within the Group determine their functional currency based on the economic substance of underlying transactions relevant to each entity with the Group. In 2022, because of the change in business circumstances, FYGP changed its functional currency from PHP to USD effective January 1, 2022. The functional currency of the rest of the entities within the Group remain to be in PHP.



As a result, the Group recognized cumulative translation adjustment amounted to ₱47,358,067 and ₱30,081,131 as at December 31, 2022 and 2021, respectively.

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 ₱55.0 million, ₱52.2 million, and ₱36.4 million in 2022, 2021 and 2020, 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.

As discussed in Note 2, the impact on the consolidated assets and consolidated liabilities as at January 1, 2021 is not material.

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.

Information on the Group's retirement plan assets is presented 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.

Information on the Group's deferred tax assets is presented in Note 18.

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	₱113,425	₱77,082
Cash in banks	87,074,470	52,406,010
Short-term investments	2,163,333	2,163,333
	₱89,351,228	₱54,646,425

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 ₱57,026, ₱61,342 and ₱89,624 in 2022, 2021 and 2020, respectively (see Note 16).

5. Inventories - at cost

	2022	2021
Raw materials	₱109,371,345	₱-
Other Inventories	57,532	-
	₱109,428,877	₱-

Inventories, which are carried at cost, consist of raw materials and other inventories that will be used in the production activity of the Group. No inventories have been charged to Cost of sales as FYGP is still in pre-operating stage.

6. Prepayments and Other Current Assets

	2022	2021
Advances to suppliers	₱10,292,940	₱-
Prepaid expense	6,109,480	7,943,954
Advances to officers and employees	3,038,536	981,616
Input VAT	1,784,144	659,994
Refundable deposits	295,068	478,267
Other current assets	20,936	-
	21,541,104	10,063,831
Less allowance for impairment losses	250,486	212,951
	₱21,290,618	₱9,850,880

Advances to suppliers refers to advance payments made by the Group in its suppliers of inventories to be used in production.



Prepaid expense mainly refers to prepaid rent made by the Group in relation not its short-term leases with terms ranging from six months to one year and prepayments made for its utilities.

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

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

Refundable deposits are deposits made in relation to its rent of office and parking spaces.

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

	2022	2021
Beginning balances	P212,951	P184,631
Provision for impairment loss (Note 15)	37,535	28,320
	P250,486	P212,951

7. Other Noncurrent Assets

	2022	2021
CWTs	P58,353,860	P58,353,860
Investments in Associates:		
Filsyn International Corporation	2,067,500	2,067,500
Lefilton Trading	200,000	200,000
Lakeview Industrial Corporation	1	1
	60,621,361	60,621,361
Less allowance for impairment losses	60,621,360	60,621,360
	P1	P1

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

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

8. Property and equipment - net

	2022							Total
	Land	Building	Machinery and Plant Equipment	Furniture and Fixtures	Office Equipment	Transportation Equipment	Construction In-progress	
Cost:								
Balances at beginning of year	P222,696,164	P255,189,138	P1,680,000	P1,566,878	P271,687	P-	P-	P481,403,867
Additions	9,630,985	2,350,191	203,997,632	3,920,723	507,585	2,492,962	76,009,789	298,909,867
Balance at end of the year	232,327,149	257,539,329	205,677,632	5,487,601	779,272	2,492,962	76,009,789	780,313,734
Accumulated depreciation:								
Balances at beginning of year	-	13,550,164	23,333	47,237	20,860	-	-	13,641,594
Additions	-	12,441,570	967,211	419,132	97,559	374,950	-	14,300,422
Balance at end of the year	-	25,991,734	990,544	466,369	118,419	374,950	-	27,942,016
Cumulative translation adjustments	35,855,459	39,483,986	148,335	136,726	22,313	(7,188)	-	75,639,631
Net Book Values	P268,182,608	P271,031,581	P204,835,423	P5,157,958	P683,166	P2,110,824	P76,009,789	P828,011,349



	2021							
	Land	Building	Machinery and Plant Equipment	Furniture and Fixtures	Office Equipment	Transportation Equipment	Construction In-progress	Total
Cost:								
Balances at beginning of year	₱222,696,164	₱255,189,138	₱-	₱-	₱-	₱-	₱-	₱477,885,302
Additions	-	-	1,680,000	1,566,878	271,687	-	-	3,518,565
Balance at end of the year	222,696,164	255,189,138	1,680,000	1,566,878	271,687	-	-	481,403,867
Accumulated depreciation:								
Balances at beginning of year	-	-	-	-	-	-	-	-
Additions	-	13,550,164	23,333	47,237	20,860	-	-	13,641,594
Balance at end of the year	-	13,550,164	23,333	47,237	20,860	-	-	13,641,594
Cumulative Translation Adjustments								
	13,800,549	15,814,149	-	-	-	-	-	29,614,698
Net Book Values	₱236,496,713	₱257,453,123	₱1,656,667	₱1,519,641	₱250,827	₱-	₱-	₱497,376,971

The Group has advances to contractors amounting to ₱11.3 million as at December 31, 2022, pertaining to advance payments made to its machinery and plant equipment suppliers.

Construction in-progress refers to machinery and plant equipment that are not yet installed and available for intended use. There are no significant additional costs expected to be incurred in relation to these machinery and plant equipment.

9. Investment Properties - at deemed cost

Land

	2022	2021
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:

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

In adopting the cost model, the Parent Company applied the revalued amount of these properties as deemed cost upon adoption of PFRS in 2005. The original acquisition cost of the said properties amounted to ₱14.9 million. As at December 31, 2022 and 2021, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱883.7 million which arose when the Parent Company transitioned to PFRS in 2005.



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

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

The fair value determined based on the latest appraisal report approximates its fair value as at December 31, 2022, as there has been no significant change identified in the immediate vicinity of the investment property.

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

The Parent Company has assessed that the highest and best use for its land in Sta. Rosa, Laguna is for light industrial development since it would be too large for a commercial development and a residential subdivision development will not yield a maximum return. The Parent Company has assessed that the highest and best use of the idle investment property in Gen. Mariano Alvarez, Cavite is to develop the land into a self-contained residential subdivision project offering mainly and in combination of vacant residential house and lots and house and lot package complemented with some commercial and institutional usage. For strategic purposes and pending approval of the financial restructuring, 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 ₱19.5 million as at December 31, 2022 and 2021. The actual cost of the land amounted to ₱9.1 million.

Based on the latest appraisal valuation report from Asian Appraisal as of December 31, 2021, the fair value of the investment property of IKAC amounted to ₱58,411,000 which the Group has assessed to be approximately consistent as at December 31, 2022 as there has been no significant developments identified in the immediate vicinity of the investment property. Asian Appraisal is an industry specialist in valuing this type of investment property.

Deemed cost and fair value of parcels of lands as of December 31, 2022 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	₱48,425,000
Coconut land in Site 1 (22.26 ha. with a fair value of ₱250,000 per hectare)	1,558,000	7,346,000
Mangrove in Site 1 (8 ha. with a fair value of ₱250,000 per hectare)	560,000	2,640,000
	₱19,510,000	₱58,411,000



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.

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, 2022 and 2021, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱7.3 million, net of tax, which arose when IKAC transitioned to PFRS in 2005.

	2022	2021	2020
Rental income	₱55,002,672	₱52,224,845	₱36,411,089
Real property taxes (Note 15)	₱4,827,238	₱5,714,089	₱5,615,113
Repairs and maintenance	2,205,973	240,706	36,679
Direct operating expenses	₱7,033,211	₱5,954,795	₱5,651,792

10. Accounts and Other Payables

	2022	2021
Accounts payable	₱236,303,204	₱6,825,937
Accrued interest (Notes 10, 11 and 19)	489,193,118	471,661,145
Nontrade payables	13,077,252	12,977,792
Refundable customers' deposits	7,325,940	6,786,147
Accrued expenses	2,502,484	4,330,545
Government payables	503,442	1,362,239
Others	7,984,834	3,492,088
	₱756,890,274	₱507,435,893

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 ₱489.2 million and ₱471.7 million as at December 31, 2022 and 2021, respectively, out of which interest amounting to ₱388.2 million will form part of the restructured loans subject to financial restructuring (see Notes 11 and 19).

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

Accrued expenses pertain to liabilities incurred but billings are not yet received. These are the accruals made for consultancy fees, legal fees and audit fees 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.

There are no accounts and other payables eliminated during consolidation.

11. Loans payable and current portion of long-term debt

Loans Payable

FYGP obtained unsecured short-term loans from CTBC Bank Co. Ltd, with interest rates ranging from 1.42% to 5.35% per annum. Outstanding balances of these loans amounted to US\$11.5 million (₱638.4 million) and US\$10.9 million (₱553.3 million) and as at December 31, 2022 and 2021, respectively.

Availments of loans payable amounted to US\$0.6 million (₱33.5 million) and US\$0.3 million (₱12.7 million) and in 2022 and 2021, respectively. The loan is due in November 2023.

Interest expense incurred on the loans amounted to ₱38.8 million, ₱27.2 million and ₱18.9 million in 2022, 2021 and 2020, respectively (see Note 16).

In September 2022, FYGP was able to secure its Parent Company as its guarantor on its availed bank loan.

Current Portion of Long-term Debt

	2022	2021
Restructured loan payable to a related party (Note 19)	₱930,132,682	₱930,132,682
Loan payable to a related party (Note 19)	167,265,000	152,997,000
	₱1,097,397,682	₱1,083,129,682

Restructured Loan - payable to a related party

As at December 31, 2022 and 2021, the Parent Company has debts secured by MTI amounting to ₱930.1 million.

The Parent Company's debts bear fixed interest rate of 12.03% per annum and are secured by an 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 ₱1.3 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 Garments, a company incorporated in Singapore and a related party.



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

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

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

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

Loan Payable to a Related Party

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

12. Capital Stock

As at December 31, 2022 and 2021, 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
	<u>₱1,031,230,905</u>

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

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



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

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

As disclosed in Note 1, in 2017, the BOD and stockholders of the Parent Company approved a business plan which consist of its plan for financial restructuring subject to SEC approval. As of April 28, 2023, the process for the amendment of the AOI of the Parent Company, subject to the approval of the SEC, to implement the financial restructuring is ongoing.

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

	2022	2021 (as restated, see Note1)	2020 (as restated, see Note 1)
Net loss attributable to equity holders of the parent	₱90,493,239	₱11,868,290	₱8,734,836
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	₱0.4388	₱0.0575	₱0.0424

There were no dilutive shares as at December 31, 2022, 2021, and 2020. 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 ₱55.0 million, ₱52.2 million and ₱36.4 million in 2022, 2021 and 2020, respectively (see Note 9).

Total outstanding trade receivable from these agreements amounted to ₱1.9 million and ₱3.2 million as at December 31, 2022 and 2021, respectively.



Group as Lessee

The Group entered into short-term leases for its commercial space located at The Pearlbank Centre, Salcedo Village, Makati City and for its employees located in Dasmariñas, Cavite.

Total rental expense amounted to ₱2.8 million, ₱1.4 million and ₱1.6 million in 2022, 2021 and 2020, respectively (see Note 15).

15. Costs and Operating Expenses

	2022	2021	2020
Depreciation expense	₱14,300,422	₱13,641,594	₱—
Utilities	11,962,679	6,193,863	160,964
Taxes and licenses	10,126,944	1,623,441	7,561,763
Salaries and wages	8,693,860	7,298,598	1,220,112
Security services	5,205,015	5,764,582	4,460,798
Repairs and maintenance	4,180,650	1,412,342	242,258
Employee benefits	3,416,192	4,043,149	1,438,137
Contractual services	3,390,523	89,742	2,437,770
Rental (Note 14)	2,848,133	1,406,315	1,628,101
Factory supplies	2,295,608	—	—
Transportation and travel	1,809,559	401,755	838,147
Insurance expense	1,492,242	—	—
Professional fees	1,337,372	1,717,255	7,190,970
Office supplies	607,837	249,802	55,721
Subscriptions, dues and donations	299,411	250,000	838,147
Entertainment, amusement and recreation	285,668	207,924	858,632
Retirement expense (Note 20)	86,567	86,567	84,649
Impairment losses on prepayments and other current and noncurrent assets (Note 6)	37,535	28,320	21,434
Others	3,559,525	1,634,515	599,984
	₱75,935,742	₱46,049,764	₱29,637,587

Other cost and operating expenses is composed of miscellaneous expenses, association fees and other minimal expenses.

16. Interest income and expenses

	2022	2021	2020
Interest expense (Note 11)	(₱38,823,208)	(₱27,183,385)	(₱18,866,629)
Bank charges	(10,411,801)	—	—
	(₱49,235,009)	(₱27,183,385)	(₱18,866,629)
Interest income (Note 4)	₱57,026	₱61,342	₱89,624



17. Other Income (Expense) - net

	2022	2021	2020
Foreign exchange gains (losses) - net	(P14,268,000)	(P8,841,463)	P7,836,509
Other income (expense)	41,680	140,620	(273,256)
	(P14,226,320)	(P8,700,843)	P7,563,253

Foreign exchange gain (loss) arise primarily from loans from a related party amounting to US\$3.0 million (P167.3 million) as at December 31, 2022 and US\$3.0 million (P153.0 million) as at December 31, 2021. (see Note 11).

18. Income Taxes

	2022	2021	2020
Current	P6,177,783	P6,490,369	P4,366,363
Deferred	(21,642)	(24,554,866)	(25,395)
	P6,156,141	(P18,064,497)	P4,340,968

Current Income tax

The provision for current income tax represents regular corporate income tax in 2022, 2021 and 2020.

Based on the provisions, of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, in 2020, the Group is subjected to a transitory lower RCIT of 25% and transitory MCIT of 1%, which was adjusted in 2021. The statutory income tax rate of 25% was applied in 2021 and 2022. The reconciliation of income tax computed at each year's respective statutory income tax rates to the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2022	2021	2020
Tax at statutory income tax rates at 20%-25% in 2022, 25% in 2021, and 30% in 2020	(P21,084,343)	(P15,269,924)	(P926,847)
Add (deduct) tax effects of:			
Tax under income tax holiday	19,979,776	16,005,249	–
Nondeductible expenses	4,684,243	4,906,357	6,012,288
Movement in unrecognized deferred tax assets	2,590,722	1,253,624	(729,286)
Interest income subjected to final tax	(14,257)	(15,336)	(26,887)
Effect of change in tax rate	–	(24,899,362)	–
Others	–	(45,105)	11,700
	P6,156,141	(P18,064,497)	P4,340,968

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:

	2022	2021
Accrued interest	₱489,193,118	₱471,661,145
Unrealized foreign exchange losses	14,335,106	21,547,746
Allowance for impairment losses on:		
Other noncurrent assets	60,621,360	60,621,360
Prepayments and other current assets	250,486	212,951
Total	₱564,400,070	₱554,043,202

The Group has deferred tax liabilities pertaining to the following:

	2022	2021
Investment properties	₱112,010,507	₱112,010,507
Retirement plan assets	6,629,452	6,730,327
	₱118,639,959	₱118,740,834

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 them significant influence over the enterprise, key management personnel, including directors and officers of the Group, close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions with related parties comprise of the following:

	Amount/ Volume	Outstanding balance	Terms	Conditions
<i>Under common control</i>				
FYGP				
Deposit for future stock subscription				
2022	₱250,897,500	₱250,897,500	Non-interest bearing, payable on demand; to be settled in cash	Unsecured and unguaranteed
2021	₱-	₱-		
<i>Stockholder</i>				
Trans-Pacific				
Loans payable to a stockholder (Notes 11 and 17)*				
2022	-	167,265,000	Non-interest bearing, payable on demand; to be settled in cash	Unsecured and unguaranteed
2021	-	152,997,000		
Due to a related party				
2022	6,000,000	6,000,000	Non-interest bearing payable on demand; to be settled in cash	Unsecured and unguaranteed
2021	-	-		

(Forward)



	Amount/ Volume	Outstanding balance	Terms	Conditions
Stockholder				
Malaysia Garment				
Restructured loans (Note 11)				
2022	₱-	₱930,132,682	Subject to financial restructuring	Secured by first and second MTIs
2021	₱-	₱930,132,682		
Accrued interest payable (Note 10)				
2022	18,731,973	489,193,118	Portion is subject to financial restructuring; payable in cash	Unsecured and unguaranteed
2021	18,731,999	471,661,145		

**Movement in 2022 and 2021 refers to foreign exchange translation.*

In March 2022, FYGP received Deposit for Future Stock Subscription amounting to US\$4.5 million (₱250.9 million), from FE New Century Industry (Singapore) Pte. Ltd., a subsidiary of Far Eastern Investment Holding Ltd., which owns the Parent Company by 22%. FE New Century Industry (Singapore) Pte. Ltd. will also be the sole customer for the materials to be produced by FYGP. FYGP shall be applying for an increase in authorized capital stock, which shall result to a 2.20% ownership of FE New Century Industry (Singapore) Pte. over FYGP, with the remaining 97.8% to be owned by the Parent Company.

As of April 28, 2023, FYGP's application for the approval of the proposed increase in authorized capital stock has not been filed with the Securities and Exchange Commission.

Total intercompany advances eliminated upon consolidation amounted to ₱94.9 million and ₱93.4 million as at December 31, 2022 and 2021, respectively.

Compensation of Key Management Personnel of the Group

The Group considers as key management personnel all employees holding managerial positions up to president. Compensation of key management personnel amounted to ₱892,820, ₱929,026 and ₱929,026 in 2022, 2021 and 2020 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, 2022 and 2021.

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

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

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



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

2022						
	Net Benefit Cost in Profit or Loss		Remeasurements in Other Comprehensive Income			December 31, 2022
	January 1, 2022	Current Service Cost	Return on plan assets	Actuarial Loss (Gains) on Defined Benefit Obligation	Subtotal	
Present value of defined benefit obligation	₱3,694,821	₱86,567	₱-	(₱125,465)	(₱125,465)	₱3,655,923
Fair value of plan asset	(30,616,124)	-	442,398	-	442,398	(30,173,726)
Net plan assets	(₱26,921,303)	₱86,567	₱442,398	(₱125,465)	₱316,933	(₱26,517,803)
2021						
	Net Benefit Cost in Profit or Loss		Remeasurements in Other Comprehensive Income			December 31, 2021
	January 1, 2021	Current Service Cost	Return on plan assets	Actuarial Loss (Gains) on Defined Benefit Obligation	Subtotal	
Present value of defined benefit obligation	₱3,608,254	₱86,567	₱-	₱-	₱-	₱3,694,821
Fair value of plan asset	(30,839,642)	-	223,518	-	223,518	(30,616,124)
Net plan assets	(₱27,231,388)	₱86,567	₱223,518	₱-	₱223,518	(₱26,921,303)

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



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

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

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

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

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

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

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

Retirement fund

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

21. Non-Controlling Interests

Proportion of equity interest held by NCIs in 2022 and 2021:

	Principal Place of Business	
IKAC	Philippines	22.92%
SRTC	Philippines	43.02%

Equity attributable to material NCI:

	2022	2021
IKAC	(₱16,297,027)	(₱16,331,599)
SRTC	158,078	192,925
Total	(₱16,138,949)	(₱16,138,674)



Net income (loss) attributable to material NCI:

	2022	2021	2020
IKAC	₱35,122	₱318,447	(₱46,382)
SRTC	(34,847)	(33,465)	–
	₱275	₱284,982	(₱46,382)

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.

	2022	2021
Current assets	₱1,762,074	₱1,763,605
Noncurrent assets	19,510,000	19,510,000
Current liabilities	(90,290,520)	(90,442,889)
Noncurrent liabilities	(2,085,511)	(2,085,511)
Total capital deficiency	(₱71,103,957)	(₱71,254,795)
Attributable to equity holders of parent	(₱54,806,930)	(₱54,923,196)
NCI	(₱16,297,027)	(₱16,331,599)

	2022	2021	2020
Revenues	₱990,400	₱980,000	₱685,000
Cost of services	(261,116)	(200,477)	(205,513)
Operating expenses	(531,206)	(397,829)	(675,919)
Interest income	2,273	2,910	3,680
Income (loss) before income tax	200,351	384,604	(192,752)
Provision for (benefit from) income tax	(47,123)	(1,005,857)	(9,590)
Net income (loss)	153,228	1,390,461	(202,342)
OCI	–	–	–
Total comprehensive income (loss)	₱153,228	₱1,390,461	(₱202,342)
Attributable to NCI	₱35,122	₱318,447	(₱46,382)
Net increase (decrease) in cash from operating activities	(₱381,970)	₱481,075	(₱174,213)

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

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

	2022				
	Leasing	Others	Total	Eliminations	Consolidated
Revenue	₱55,003	₱-	₱55,003	₱-	₱55,003
Costs and operating expenses	(30,414)	(45,522)	(75,936)	-	(75,936)
Financial charges – net	(18,689)	(30,489)	(49,178)	-	(49,178)
Other charges – net	(14,227)	-	(14,227)	-	(14,227)
Income (loss) before income tax	(8,327)	(76,011)	(84,338)	-	(84,338)
Benefit from (provision for) income tax	(6,156)	-	(6,156)	-	(6,156)
Net loss	(14,483)	(76,011)	(90,494)	-	(90,494)
Other comprehensive loss - net of tax	(238)	(17,276)	(17,514)	-	(17,514)
Total comprehensive income (loss)	(₱14,721)	₱93,287	(₱108,008)	-	(₱108,008)

OTHER INFORMATION

Segment assets	₱1,042,396	₱997,615	₱2,040,011	(₱33,967)	₱2,006,004
Segment liabilities	1,817,396	1,135,404	2,952,800	(83,351)	2,869,449
Capital expenditures	-	298,910	298,910	-	298,910

	2021				
	Leasing	Others	Total	Eliminations	Consolidated
Revenue	₱52,225	₱-	₱52,225	₱-	₱52,225
Costs and operating expenses	(21,724)	(24,326)	(46,050)	-	(46,050)
Financial charges – net	(18,691)	(8,431)	(27,122)	-	(27,122)
Other income – net	(8,791)	90	(8,701)	-	(8,701)
Income (loss) before income tax	3,019	(32,667)	(29,648)	-	(29,648)
Provision for income tax	18,064	-	18,064	-	18,064
Net loss	21,083	(32,667)	(11,583)	₱-	(11,583)
Other comprehensive income - net of tax	168	(31,432)	(31,264)	-	(31,264)
Total comprehensive income (loss)	₱21,252	(64,099)	(₱42,848)	-	(₱42,848)

OTHER INFORMATION

Segment assets	₱1,021,461	₱521,135	₱1,542,596	(₱32,455)	₱1,510,141
Segment liabilities	1,781,744	564,905	2,346,649	(81,111)	2,265,538
Capital expenditures	-	3,519	3,519	-	3,519

	2020				
	Leasing	Others	Total	Eliminations	Consolidated
Revenue	₱36,411	₱-	₱36,411	₱-	₱36,411
Costs and operating expenses	(23,219)	(6,418)	(29,637)	-	(29,637)
Financial charges – net	(18,777)	-	(18,777)	-	(18,777)
Other income – net	7,563	-	7,563	-	7,563
Loss before income tax	1,978	(6,418)	(4,440)	-	(4,440)
Provision for income tax	(4,341)	-	(4,341)	-	(4,341)
Net loss	((2,363)	(6,418)	(8,781)	₱-	(8,781)
Other comprehensive loss - net of tax	2,483	-	2,483	-	2,483
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
Capital Expenditures	-	507,500	507,500	-	507,500



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

The geographical information of the Group are as follows:

Revenue from external customers:

	2022	2021
Sta. Rosa, Laguna	₱54,012,272	₱51,244,845
Pontevedra, Capiz	990,400	980,000
	₱55,002,672	₱52,224,845

The revenue information above is based on the locations of the customers. Revenue from one customer amounted to ₱11.8 million and ₱8.0 million in 2021 and 2020, respectively, arising from the leasing segment.

Non-current operating assets:

	2022	2021
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, 2022 and 2021, 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, 2022 and 2021.

	2022	2021
Cash and cash equivalents:		
Cash in banks	P87,074,470	P52,406,010
Cash equivalents	2,163,333	2,163,333
Trade receivables	1,945,219	3,178,028
Refundable deposits (shown as part of Prepayments)	295,068	478,267
	P91,478,090	P58,225,638

These financial assets are neither past due nor impaired as at December 31, 2022 and 2021

The aging analysis of financial assets follows:

	2022				
	Days Past Due				
	Current	60 Days	180 Days or more	ECL	Total
Cash in bank	P87,074,470	P-	P-	P-	P87,074,470
Cash equivalents	2,163,333	-	-	-	2,163,333
Trade and other receivables	1,945,219	-	-	-	1,945,219
Refundable deposits	295,068	-	-	-	295,068
	P91,478,090	P-	P-	P-	P91,478,090

	2021				
	Days Past Due				
	Current	60 Days	180 Days or more	ECL	Total
Cash in bank	P52,406,010	P-	P-	P-	P52,406,010
Cash equivalents	2,163,333	-	-	-	2,163,333
Trade and other receivables	3,178,028	-	-	-	3,178,028
Refundable deposits	478,267	-	-	-	478,267
	P58,225,638	P-	P-	P-	P58,225,638

General approach

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

	2022				Total
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		
Cash in bank	P87,074,470	P-	P-	P-	P87,074,470
Short term investments	2,163,333	-	-	-	2,163,333
Trade and other receivables	1,945,219	-	-	-	1,945,219
Refundable deposits	295,068	-	-	-	295,068
	P91,478,090	P-	P-	P-	P91,478,090



	2021				Total
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		
Cash in bank	₱52,406,010	₱-	₱-	₱-	₱52,406,010
Short term investments	2,163,333	-	-	-	2,163,333
Trade and other receivables	3,178,028	-	-	-	3,718,028
Refundable deposits	478,267	-	-	-	478,267
	₱58,225,638	₱-	₱-	₱-	₱58,225,638

Simplified approach

There were no significant concentrations of credit risk using simplified approach within the Group.

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, 2022 and 2021 which are all due and demandable:

2022	On Demand	Within one Year	Over one Year	Total
<i>Financial liabilities</i>				
Accounts and other payables*	₱756,386,832	₱-	₱-	₱756,386,832
Loans payable	1,735,792,432	-	-	1,735,792,432
Due to a related party	6,000,000	-	-	6,000,000
	₱2,498,179,264	₱-	₱-	₱2,498,179,264

*Excluding government payables

2021	On Demand	Within one Year	Over one Year	Total
<i>Financial liabilities</i>				
Accounts and other payables	₱506,073,654	₱-	₱-	₱506,073,654
Loans payable	1,636,468,832	-	-	1,636,468,832
	₱2,142,542,486	₱-	₱-	₱2,142,542,486

*Excluding government payables

To address its liquidity, the Group is in the process of entering into a financial restructuring plan, deferment of settlement of liabilities from related parties. The Group is also expected to generate cash flows from its operations that will be used to settle its current obligations by the time FYGP commences its operations.

Changes in liabilities arising from financing activities

	2022			
	January 1	Cash flows	Others	December 31
Loans payable and current portion of long-term debt	₱1,636,468,832	₱33,453,000	₱65,870,600	₱1,735,792,432
Deposit for future stock subscription	-	250,897,500	-	250,897,500
Due to a related party	-	6,000,000	-	6,000,000
	₱1,636,468,832	₱290,350,500	₱65,870,600	₱1,992,689,932



	2021			
	January 1	Cash flows	Others	December 31
Loans payable and current portion of long-term debt	₱1,583,245,482	₱12,749,750	₱ 40,473,600	₱1,636,468,832

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, 2022 and 2021 are as follows:

	2022		2021	
	USD	Peso Equivalent	USD	Peso Equivalent
<i>Financial Asset</i>				
Cash in bank	\$461,607	₱25,736,898	\$-	₱-
<i>Financial Liability</i>				
Loans payable to a stockholder	(3,000,000)	(167,265,000)	(3,000,000)	(152,997,000)
Net financial liability	(\$2,538,393)	(₱141,528,102)	(\$3,000,000)	(₱152,997,000)

As at December 31, 2022 and 2021, the exchange rates of the Philippine peso to the US\$ are ₱55.76 and ₱50.99 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, 2021 and 2020 is as follows:

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

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, 2022 and 2021. The Group has no to externally imposed capital requirement.

As at May 27, 2022, 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 related party approximate its fair value having interest rate comparable in the market.

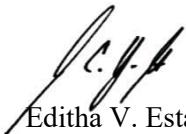


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
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 Subsidiaries, as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes 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 basic 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 basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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

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

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

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

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

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

April 28, 2023



FILSYN CORPORATION AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2022

**(Amounts in Thousands, Except Number of Shares, Par Value per Share
and Unless Otherwise Specified)**

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

**CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED
DECEMBER 31, 2022, 2021 and 2020**

SUPPLEMENTARY SCHEDULES

Report of Independent Auditor's on Supplementary Schedules

- I. Reconciliation of Retained Earnings Available for Dividend Declaration
- II. Financial Soundness Indicators
- III. Map of the relationships of the Companies within the Group
- IV. Supplementary Schedules Required by Annex 68-J
 - A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are eliminated during consolidation
 - D. Long-term Debt
 - E. Indebtedness to Related Parties (Long-term Loans from Related Companies)
 - F. Guaranties of Securities of Other Issuers
 - G. Capital Stock

FILSYN CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2022

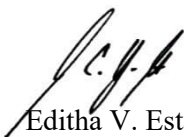
Deficit as at December 31, 2021		<u>(₱1,862,551,707)</u>
Add: Net income actually earned/realized during the year		
Net income during the year closed to deficit	(14,629,939)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash Equivalents)	—	
Unrealized actuarial gain	—	
Fair value adjustment (market-to-market gains)	—	
Fair value adjustment of investment property resulting to gain	—	
Recognized deferred tax asset that increased the net income	—	
Adjustment due to deviation from PFRS/GAAP-gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Subtotal	—	
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 income actually earned during the year		<u>(14,629,939)</u>
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	—	—
Deficit as at December 31, 2022, as adjusted		<u><u>(₱1,877,181,646)</u></u>

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
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 Subsidiaries (the Group), as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. 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 (PFRSs) 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 PFRSs except for EBITDA and working capital. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022, 2021 and 2020 and for the years then ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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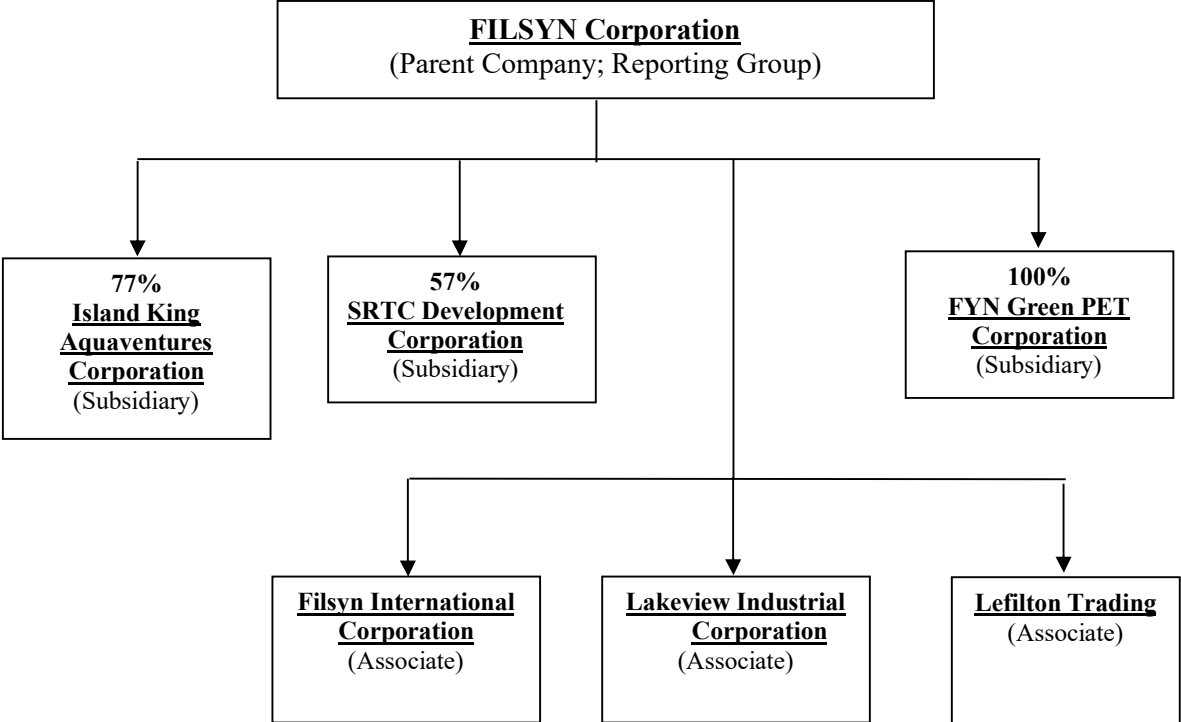
April 28, 2023



FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2022, 2021 and 2020

Financial Ratios	Formula	2022	2021 As restated	2020 As restated
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.09	0.03	0.03
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables} + \text{Current financial assets}}{\text{Current liabilities}}$	0.04	0.03	0.03
Solvency ratio	$\frac{\text{Net loss} + \text{Depreciation and Amortization} + \text{Impairment Loss}}{\text{Total Liabilities}}$	(0.03)	0.00	0.00
Debt-to-equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Total Equity}}$	(3.32)	(3.00)	(3.13)
Asset-to-equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	(2.32)	(2.00)	(2.13)
Interest rate coverage ratio	$\frac{\text{Earnings/ Losses Before Interest and Taxes (EBIT)}}{\text{Finance Costs}}$	(1.17)	(0.09)	0.76
Return on equity	$\frac{\text{Net Loss}}{\text{Total Equity (average)}}$	(11.18%)	(1.58%)	(1.24%)
Return on assets	$\frac{\text{Net Loss}}{\text{Total Assets (average)}}$	(5.15%)	(0.76%)	(0.35%)
Net Sales Growth	$\frac{\text{Current Period Net Sales} - \text{Prior Period Net Sales}}{\text{Prior Period Net Sales}}$	5.32%	43.43%	(7.83%)
Gross Margin	$\frac{\text{Gross Profit}}{\text{Net Sales}}$	(38.06%)	11.82%	18.60%
Net Profit Margin	$\frac{\text{Net Loss}}{\text{Net Sales}}$	(164.53%)	(22.18%)	(24.12%)

FILSYN CORPORATION
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT DECEMBER 31, 2022



FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2022

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	₱89,351,228	₱89,351,228	₱57,026
Trade receivables	N/A	1,945,219	1,945,219	–
Refundable deposits	N/A	295,068	295,068	–
		₱91,519,515	₱91,519,515	₱57,026

FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

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

FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end period
IKAC	₱85,913,797	₱36,899	₱–	₱–	₱85,950,696	₱–	₱85,950,696
FYN Green	7,455,210	1,394,040	–	–	8,849,250	–	8,849,250
SRTC	–	81,000	–	–	81,000	–	81,000
	₱93,369,007	₱1,511,939	₱–	₱–	₱94,880,946	₱–	₱94,880,946

FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2022

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
Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments)	₱930,132,682	₱930,132,682	₱–
Trans-Pacific Oriental Holding Group, Inc.	167,265,000	167,265,000	–
Total	₱1,097,397,682	₱1,097,397,682	₱–

FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022

Name of Related Party	Balance at beginning of period	Balance at end of period
Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments)	₱930,132,682	₱930,132,682
Trans-Pacific Oriental Holding Group, Inc.	152,997,000	167,265,000
Total	₱1,083,129,682	₱1,097,397,682

FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

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
CTBC Bank Co. Ltd	Not Applicable	P638,394,750	P638,394,750	Filsyn Corporation entered into a payment guarantee agreement as the guarantor, with CTBC Bank Co. Ltd. in case of Fyn Green PET Corporation's payment default.

FILSYN CORPORATION AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2022

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	Directors, Officers and Employees	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	–	78,492,168	100,002	3,906,304
	240,000,000	206,246,181	–	142,250,349	224,654	63,951,178

COVER SHEET

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
(Company'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
Contact Person

(+632) 8652-5167
Company Telephone Number

SEC FORM 17-Q
JUNE 30, 2023

12 31
Month Day
Fiscal Year

Month Day
Annual Meeting

Not Applicable
Secondary License Type, if Applicable

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = please Use Black Ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SRC AND SRC RULE 17 (2) (B) THEREUNDER

1. For the quarterly period ended June 30, 2023
2. Commission identification number 35841
3. BIR Tax Identification No. 000-158-664-000
4. Exact name of registrant as specified in its charter FILSYN CORPORATION
5. Province, country or other jurisdiction of incorporation or organization Makati City, Philippines
6. Industry Classification Code (SEC Use Only)
-
7. Address of registrant's principal office Unit 8 5B Pearlbank Centre
146 Valero St., Salcedo Village, Makati City 1227
8. Registrant's telephone number, including area code (+632) 8652-5167
9. Securities registered pursuant to Sections 8 and 12 of the SRC
- | | Number of shares |
|---------------------------------------|--------------------------------------|
| Title of each Class stock outstanding | |
| Class A Common | <u>123,747,707 shares fully paid</u> |
| Class B Common | <u>49,071,976 shares fully paid</u> |
| Preferred | <u>33,426,498 shares fully paid</u> |
10. Securities listed in the PSE 206,246,181 shares

FINANCIAL INFORMATION

Please see attached Financial and Management Reports.

SIGNATURES

Pursuant to the requirement of Section 17 of the SRC 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 City on _____.

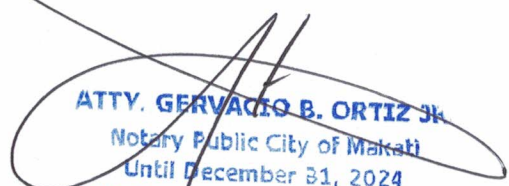

APOLINARIO L. POSIO
Senior Vice President / Chief Financial Officer

MAKATI CITY

SUBSCRIBED AND SWORN to before me this AUG 11 2023 affiant exhibiting to me his Government Issued ID, as follows;

<u>Name</u>	<u>Driver's License #</u>	<u>Date Issued</u>	<u>Expiry Date</u>
Apolinario L. Posio	N0173031618	Nov. 12, 2021	Nov. 30, 2031

Doc. No. 184
Page No. 35
Book No. XLV
Series of 2023.


ATTY. GERVAICIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance NoI VI-0024312
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg
Brgy. Pio Del Pilar, Makati City

FILSYN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN P000)	(Unaudited)		Audited	
	June 30		December 31	
	2023		2022	
ASSETS				
Current Assets				
Cash and cash equivalents	P	200,033	P	89,351
Trade receivables		73,136		1,945
Inventories		46,498		109,429
Prepayments and other current assets – net		37,679		21,291
Total Current Assets		357,346		222,016
Noncurrent Assets				
Investment properties - at deemed cost		918,167		918,167
Property and equipment, net		819,957		828,011
Retirement plan assets		26,518		26,518
Advances to contractors		–		11,332
Other noncurrent assets		4,997		–
Total Noncurrent Assets		1,769,639		1,784,028
TOTAL ASSETS	P	2,126,985	P	2,006,044
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	P	373,672	P	756,890
Loans payable		662,400		638,395
Current portion of long-term debt		167,265		1,097,398
Due to related party		6,000		6,000
Dividends payable		156		156
Income tax payable		979		1,072
Total Current Liabilities		1,210,472		2,499,911
Noncurrent Liability				
Deferred tax liabilities		118,640		118,640
Deposit for future stock subscription		248,400		250,898
Total Noncurrent Liabilities		367,040		369,538
Total Liabilities		1,577,512		2,869,449
Equity (Capital Deficiency) Attributable to Equity Holders of the Parent				
Capital stock				
Preferred Stock		280,448		–
Common Stock		86,410		1,031,231
Additional paid-in capital		335,373		143,590
Remeasurement loss on retirement plan assets – net		(1,538)		(1,538)
Cumulative translation adjustment		(34,625)		(47,358)
Deficit		(100,471)		(1,973,191)
		565,597		(847,266)
Non-controlling Interests		(16,124)		(16,139)
Total Equity (Capital Deficiency)		549,473		(863,405)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	P	2,126,985	P	2,006,044

FILSYN CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE PERIOD ENDED JUNE 30, 2023 AND 2022**

(P000)

		2023 (Unaudited)		2022 (Unaudited)		
		This Quarter	Year-to-Date	This Quarter	Year-to-Date	
REVENUES	P	288,192	298,219	P	14,815	27,763
COST AND EXPENSES:						
OPERATING EXPENSES		245,029	266,811		21,257	34,755
FINANCIAL CHARGES - Net		12,789	21,240		23,630	29,284
		257,818	288,051		44,887	64,339
NET INCOME (LOSS)	P	30,374	10,168	P	(30,072)	(36,576)
TOTAL NUMBER OF SHARES ISSUED & OUTSTANDING		206,246	206,246		206,246	206,246
INCOME (LOSS) PER SHARE	P	0.147271	0.049300	P	(0.145806)	(0.177342)

FILSYN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE PERIOD ENDED JUNE 30, 2023 and 2022
(P000)**

			2023 (Unaudited)		2022 (Unaudited)
CAPITAL STOCK					
Preferred (P8.39 par value)					
Authorized	-	33,426,498 shares			
Issued ¹	-	33,426,498 shares	P	280,448	P
Class A: (P0.50 par value)					-
Authorized	-	440,229,812 shares			
Issued	-	123,747,707 shares		61,873	618,739
Class B: (P0.50 par value)					
Authorized	-	293,486,507 shares			
Issued ¹	-	49,071,976 shares		24,536	412,492
				<u>366,858</u>	<u>1,031,231</u>
ADDITIONAL PAID-IN CAPITAL (APIC)					
				<u>335,373</u>	<u>143,590</u>
Remeasurement loss on retirement plan asset					
				<u>(1,538)</u>	<u>(1,300)</u>
Cumulative translation adjustment					
				<u>(34,625)</u>	<u>-</u>
DEFICIT					
Balance, beginning				1,973,191	1,912,779
Net (income) loss for the period – attributable to parent				(10,168)	36,556
Application of APIC to Deficit				<u>(1,862,552)</u>	<u>-</u>
				<u>100,471</u>	<u>1,949,335</u>
NON-CONTROLLING INTEREST					
				<u>(16,124)</u>	<u>(16,119)</u>
TOTAL EQUITY (CAPITAL DEFICIENCY)					
			P	<u>549,473</u>	P
					<u>(791,933)</u>

¹ On 26 June 2023, the Securities and Exchange Commission approved the (i) decrease in Authorized Common B Shares by 33,426,498 and establishment of 33,426,498 Authorized Preferred Shares resulting to reclassification of 33,426,498 issued Common B Shares to Preferred Shares; and (ii) increase of the Parent Company's authorized capital stock from P120,000,000.00 to P647,306,477.72.

FILSYN CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE PERIOD ENDED JUNE 30, 2023 AND 2022****(P000)**

		2023 (Unaudited)		2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	P	10,168	P	(36,576)
Decrease (Increase) in:				
Prepayments and other current assets		(13,316)		(67,880)
Other assets		(4,997)		(24,637)
Increase (Decrease) in:				
Trade and other payables		74,035		27,941
Net cash flows from operating activities		65,890		(101,152)
CASH FLOWS FROM INVESTING ACTIVITY				
Acquisition of property, plant and equipment		8,054		-
		8,054		-
CASH FLOWS FROM FINANCING ACTIVITY				
Proceeds from loan from bank		24,005		45,163
Proceeds from deposit for future stock subscriptions		-		232,830
		24,005		277,993
EFFECT OF EXCHANGE RATE CHANGES				
		12,733		-
NET INCREASE IN CASH				
		110,682		176,841
CASH AT BEGINNING OF THE PERIOD				
		89,351		54,646
CASH AT END OF THE PERIOD				
	P	200,033	P	232,487

**FILSYN CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2023**

CORPORATE INFORMATION

FILSYN Corporation (the “Parent Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (“SEC”) on July 22, 1968 and is domiciled in the Republic of the Philippines. 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.

On 28 October 2016, the SEC approved the Amended Articles of Incorporation of the Parent Company amending the Fourth Article by extending its corporate term for fifty (50) years from and after July 22, 1968 or up to July 21, 2068.

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

The consolidated financial statements include the following subsidiaries of the Parent Company which are all incorporated in the Philippines.

Subsidiaries	Nature of Business
FYN Green PET Corporation	Manufacturing
Island King Aquaventures Corporation	Leasing
SRTC Development Corporation	Under liquidation

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

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

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

The foregoing companies are collectively referred to as the “Group”.

BASIS OF PREPARATIONS AND STATEMENT OF COMPLIANCE

Basis of Preparation

The accompanying interim financial statements as of June 30, 2023 have been prepared under the historical cost basis. These statements are presented in Philippine peso which is the Parent 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, 2022.
- The adoption of PAS 34 in the interim financial statements did not have any material impact on the financial position or performance of the Parent Company.
- That the Parent 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, 2022.
- 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, 2023.
- The main sources of funds consist mainly of warehouse rental income.

MANAGEMENT DISCUSSION & ANALYSIS OF OPERATION

Filsyn Corporation (the “Parent Company”) continued to generate income mainly derived 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 Parent Company’s losses for the last three (3) years were due to non-commercial operations. The Parent Company has no plan yet to resume commercial operations. In view of the non-commercial operations of the Parent 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 operations of the Parent Company.

There were no events during the last three (3) years that will trigger direct or contingent financial obligation that was material to the Parent 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 Parent Company can satisfy its cash requirement for the next 12 months. The Parent Company will not raise additional funds in the next 12 months.

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

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

The Parent 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.

On December 10, 2009, the Board of Directors of the Parent 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 maybe 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 P1.2 billion through the Sta. Rosa property as dacion 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 Chuan Yuan Limited, a company incorporated in Cayman Islands. Chuan Yuan Limited became the creditor of the first and second MTI. Chuan Yuan Limited later transferred the loan to Malaysia Garment Manufacturers (Pte) Ltd., a company incorporated in Singapore, a related party.

On October 24, 2016, the PSE issued a letter to the Parent 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 property located at Sta. Rosa, Laguna;
- Discussions/negotiations regarding the sale of the property located in Gen, Malvar Alvarez, Cavite City; and
- SEC Order of Revocation dated August 26, 2002.

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

In September 2017, the Board of Directors 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 Board of Directors approved the following:

- A. Amendment of the Seventh Article of the Parent Company's Articles of Incorporation ("AOI") 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 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 P2.50 per share
 - iii. Reclassification of 33,426,498 Common Shares (Class B) to Preferred Shares

B. Conversion of debt to equity

On February 18, 2018, the SEC 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 Board authorized the filing of the Amended Registration Statement with the SEC which was filed on October 30, 2018.

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

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

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

This include the following approvals of the Board:

- a. Reduction in the par value of all common shares from P5.00 per share to P0.50 per share,
- b. Decrease in the authorized capital stock from P1,200,000,000 to P120,000,000,
- c. Classification of capital contributed in excess of the reduced par value as additional paid in capital, and
- d. Reclassification of the 33,426,498 Class B common shares held by Malaysia Garment Manufacturers (Pte) Ltd., a company incorporated in Singapore and a related party, into 33,426,498 Preferred Shares with the following features:
 - i. Preemptive Right – The Preferred Shareholders shall have preemptive rights to subscribe to new shares in proportion to their respective shareholding ratios
 - ii. Dividends – The Preferred Shareholders shall bear preferential dividends at the rate of 5% per annum of total debt converted in the amount of P1,389,961,828.
 - iii. Exercise of Voting Right – The Preferred Shareholders shall not have a right to vote, except on matters specified in Section 6 of the Revised Corporation Code of the Philippines and those relative to the development of the Sta. Rosa Property; and
 - iv. Convertibility – The Preferred Shareholders shall, at their option, have the right to convert their preferred shares to common shares using 16.78:1 conversion ratio at P0.50 per share.

2. Increase in Capital Stock

The Board approved the increase of the Parent Company's authorized capital stock from P120,000,000 to P647,306,477 which consists of:

- a. 440,229,812 Class "A" common shares with par value of P0.50 per share, or an aggregate par value of P220,114,906;

- b. 293,486,507 Class “B” common shares with a par value of P0.50 per share, or an aggregate par value of P146,743,253.50; and
- c. 33,426,498 Preferred Shares, with a par value of P8.39 per share (increased from P0.50), or an aggregate par value of P280,448,318, with Malaysia Garment Manufacturers (Pte) Ltd. subscribing to the increase in the par value of the 33,426,498 Preferred Shares amounting to P263,735,069 by way of converting debt owed to it by the Corporation as of December 31, 2020 amounting to P1,389,961,828 to equity, with the excess of the debt over the par value of preferred shares recorded as Additional Paid In Capital.

The Board also approved the subscription by Malaysia Garment Manufacturers (Pte) Ltd. to the increase in the par value of the 33,426,498 Preferred Shares, and the conversion of debt owed to it by the Parent Company as of December 31, 2020 amounting to P1,389,961,828 to equity as payment for the aforesaid 33,426,498 Preferred Shares with the excess of the debt over the par value of preferred shares recorded as Additional Paid In Capital.

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

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

On November 11, 2021, Management filed the financial restructuring project to SEC. Prior to submission of the financial restructuring project with the SEC, Management had already agreed to the conversion of debt with its creditors and legal counsel. Management is securing all the necessary documents such as Deed of Assignment to creditor and Director’s Certificate to support the approval of the financial restructuring by the SEC.

On May 30, 2022, a Deed of Assignment of the loan was entered between Malaysia Garment Manufacturers (Pte) Ltd. and the Parent Company in which the former unconditionally and irrevocably assigns, cedes, transfers and conveys unto the Parent Company all of its title, right and interests to receive the payment for the debt as payment for the subscription price, thereby converting the debt into equity.

In addition, the related parties, Malaysia Garment Manufacturers (Pte) Ltd. and Trans-Pacific Oriental Holding Company, Inc., have undertaken to support the Parent Company financially by not demanding payment of loans due to the former. Further, the Parent Company will address its working capital requirements from the cash flows generated from its operations. Accordingly, the financial statements have been prepared on a going concern basis.

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

On 26 June 2023, the SEC approved the Parent Company's Decrease/Increase in Authorized Capital Stock, Amendments to the Articles of Incorporation, and Equity Restructuring.

With the SEC approval of the financial restructuring, the Parent Company can now focus on the operations and expansion of its subsidiary, FYN Green PET Corporation ("FYGP"), and the development of its 30-hectare property located at Santa Rosa City, Laguna.

Notice of Involuntary Delisting

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

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

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

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

- a. There was no obstinate refusal on the part of the Parent Company to comply with the directives of the Exchange and the Securities and Exchange Commission ("SEC").
- b. The Parent Company, in utmost good faith, exerted serious efforts to comply with the SEC directives. All the corporate actions of Parent Company on the matter were timely and promptly disclosed to the PSE.
- c. The SEC-Markets and Securities Regulation Department ("MSRD") will only act on the Parent Company's amended registration statement after the approval of the Parent Company's financial restructuring plan being reviewed by the SEC- Financial Analysis and Audit Division ("FAAD").
- d. The Parent Company will file its amended registration statement after it secures the SEC's approval of its financial restructuring plan. Thereafter, the Parent Company will request SEC-MSRD to issue the corresponding Order Lifting the Order of Revocation dated August 26, 2002 against the Parent Company.
- e. The conversion of the Parent Company's obligation to one of its major creditors, Malaysia Garment Manufacturers Pte. Ltd, amounting to One Billion Three Hundred Eighty-Nine Million Nine Hundred Sixty-One Thousand Eight Hundred Twenty-Eight Pesos (P1,389,961,828.00) into equity has effectively wiped-out the deficit amounting to Six Hundred Eighty-Nine Million Thirty-One Thousand One Hundred Forty-Six Pesos (P689,031,146.00). The debt-to-equity conversion is part of the financial restructuring plan being carried out by the Parent Company. The deficit would have been wiped-out had the SEC-FAAD approved the Parent Company's financial restructuring plan.
- f. The involuntary delisting will be prejudicial to the Parent Company's stockholders who have been expecting that the trading suspension will be lifted soon and the financial restructuring plan approved in light of the actions being actively undertaken by the Parent

Company.

g. In 2019, parallel to its efforts to solve its capital deficiency, the Parent Company incorporated FYN Green PET Corporation (“FYGP”), a 100% wholly owned subsidiary, to provide cash flow and steady stream of revenues. FYGP will commence its commercial operations in May 2023.

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

On May 2, 2023, the Parent Company received the PSE’s Letter-Decision dated April 28, 2023 granting the Parent Company’s request to:

- a. Suspend the involuntary delisting against the Parent Company; and
- b. Allow the Parent Company until December 29, 2023 to complete the requirements of the SEC to amend its registration statement and its application for its financial restructuring plan, thereby obtaining (a) an effective registration of securities and permit to sell securities with the SEC and (b) attaining a positive stockholders’ equity.

Subsidiaries

Beginning 2012, IKAC ceased its normal operations as a producer of prawns and bangus and started renting out its investment property. The AOI of IKAC states that 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 never commenced commercial operations. In April 2000, SRTC sold its primary asset, a 40-hectare 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. Final liquidation will take place after approval of SRTC’s liquidation application with the Philippine SEC. As at April 28, 2023, 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, FYGP was registered with the SEC and PEZA as Ecozone Enterprise, respectively. In 2020, FYGP acquired land and building to be used in its future operations. On March 14, 2023, FYGP submitted to PEZA its Certification for the Start of Commercial Operations (SCO) which was approved on May 5, 2023.

Annex "F"

Directors' Attendance Report

Name of Directors	Special Meeting of the Board of Directors on September 15, 2022	Organizational Meeting of the Board of Directors on September 15, 2022	Special Meeting of the Board of Directors on February 22, 2023	Special Meeting of the Board of Directors on April 28, 2023	Special Meeting of the Board of Directors on July 25, 2023	Special Meeting of the Board of Directors on August 31, 2023
Florentino M. Herrera III	✓	✓	✓	✓	✓	✓
Renato V. Diaz	✓	✓	✓	✓	✓	✓
Consolacion Sanchez	✓	✓	✓	✓	✓	✓
Jaime M. Sto. Domingo	✓	✓	✓	✓	✓	X
Ma. Belina B. Mariano	✓	✓	✓	✓	✓	✓
Samuel V. Torres	✓	✓	✓	X	✓	✓
Evelyn Forbes	✓	✓	✓	✓	✓	✓
David Wang	✓	✓	✓	✓	✓	✓
Bing Chang	✓	✓	✓	✓	✓	✓
Amy Huang	✓	✓	✓	✓	✓	✓
Alan Tsai	✓	✓	✓	✓	✓	✓



ALAIN CHARLES J. VELOSO
Corporate Secretary