

FILSYN CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱36,785,799	₱31,552,264
Prepayments and other current assets - net (Note 6)	11,309,356	10,274,372
Total Current Assets	48,095,155	41,826,636
Noncurrent Assets		
Investments in and advances to subsidiaries - net (Note 7)	—	—
Investments in associates - net (Note 8)	1	1
Investment properties - at deemed cost (Note 9)	898,657,147	898,657,147
Retirement plan assets (Note 17)	23,961,361	24,224,038
Other noncurrent assets	915,215	856,821
Total Noncurrent Assets	923,533,724	923,738,007
TOTAL ASSETS	₱971,628,879	₱965,564,643
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts and other payables (Note 10)	₱439,092,770	₱422,296,909
Restructured loans (Notes 11 and 16b)	930,132,682	930,132,682
Loans payable to a stockholder (Note 16a)	157,740,000	149,790,000
Income tax payable	1,610,279	—
Total Current Liabilities	1,528,575,731	1,502,219,591
Noncurrent Liability		
Deferred tax liabilities (Note 15)	77,036,077	75,597,744
Total Liabilities	1,605,611,808	1,577,817,335
Capital Deficiency		
Capital stock (Note 12)	1,031,230,905	1,031,230,905
Additional paid-in capital	143,589,745	143,589,745
Remeasurement loss on retirement plan assets (Note 17)	(5,057,116)	(2,867,276)
Deficit (Note 1)	(1,803,746,463)	(1,784,206,066)
Total Capital Deficiency	(633,982,929)	(612,252,692)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	₱971,628,879	₱965,564,643

See accompanying Notes to Parent Company Financial Statements.



FILSYN CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
RENTAL INCOME (Notes 9 and 13a)	₱32,402,256	₱26,942,628
COSTS AND EXPENSES (Note 14)	23,089,591	20,846,272
OTHER INCOME (CHARGES) - Net		
Foreign exchange losses – net	(7,932,348)	(623,564)
Gain on reversal of accounts and other payables	—	10,157,654
Others - net	125,950	(8,863,465)
	(7,806,398)	670,625
FINANCE INCOME (CHARGES)		
Interest expense (Note 11)	(18,731,973)	(18,731,973)
Interest income (Notes 5 and 17)	893,664	634,800
	(17,838,309)	(18,097,173)
LOSS BEFORE INCOME TAX	16,332,042	11,330,192
PROVISION FOR INCOME TAX (Note 15)		
Current	2,998,856	1,099,654
Deferred	209,499	137,076
	3,208,355	1,236,730
NET LOSS	19,540,397	12,566,922
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement loss on retirement plan assets (Note 17)	961,007	567,538
Income tax effect		(170,261)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	961,007	397,277
TOTAL COMPREHENSIVE LOSS	₱20,428,332	₱12,964,199
LOSS PER SHARE		
Basic and diluted, for net loss attributable to equity holders of the Parent Company	(₱0.10)	(₱0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 12)	206,246,181	206,246,181

See accompanying Notes to Parent Company Financial Statements.



FILSYN CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	Capital Stock (Note 12)	Paid-in Capital Additional	Remeasurement Loss on Retirement Plan Assets (Note 17)	Deficit (Note 1)	Total
Balances at December 31, 2016	₱1,031,230,905	₱143,589,745	(₱2,469,999)	(₱1,771,639,144)	(₱599,288,493)
Net loss	—	—	—	(12,566,922)	(12,566,922)
Other comprehensive income	—	—	(397,277)	—	(397,277)
Total comprehensive loss	—	—	(397,277)	(12,566,922)	(12,964,199)
Balances at December 31, 2017	₱1,031,230,905	₱143,589,745	(₱2,867,276)	(₱1,784,206,066)	(612,252,692)
Net loss	—	—	—	(19,540,397)	(19,540,397)
Other comprehensive income	—	—	(2,189,840)	—	(2,189,840)
Total comprehensive loss	—	—	(2,189,840)	(19,540,397)	(21,730,237)
Balances at December 31, 2018	₱1,031,230,905	₱143,589,745	(₱5,057,116)	(₱1,803,746,463)	(₱633,982,929)

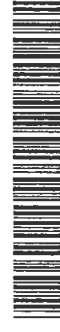
See accompanying Notes to Parent Company Financial Statements.



FILSYN CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P16,332,042)	(P11,330,192)
Adjustments for:		
Interest expense (Note 11)	18,731,973	18,731,973
Movement in retirement plan assets (Note 17)	(698,330)	(456,920)
Interest income (Note 5)	(195,334)	(177,880)
Operating income before working capital changes	1,506,267	6,766,981
Increase in prepayments and other current and noncurrent assets	(2,481,955)	(54,208)
Increase (Decrease) in accounts and other payables	(936,112)	764,967
Net cash generated from operations	(1,911,800)	7,477,740
Interest received	195,334	177,880
Interest paid	(1,000,000)	(1,500,000)
Income taxes paid	—	(1,099,654)
Net cash flows generated from operating activities	(2,716,466)	5,055,966
CASH FLOWS FROM FINANCING ACTIVITIES		
Unrealized foreign exchange losses - net	7,932,348	623,564
Increase in loans payable to a stockholder	—	—
Net cash flows (used in) financing activities	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,215,882	5,679,530
EFFECT OF EXCHANGE RATE ON CHANGES ON CASH AND CASH EQUIVALENTS	17,652	6,436
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,552,264	25,866,298
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	P36,785,798	P31,552,264

See accompanying Notes to Parent Company Financial Statements.



FILSYN CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information, Status of Operations and Authorization for Issuance of the Parent Company Financial Statements

Corporate Information

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

On September 22, 2016, the Board of Directors (BOD) and stockholders approved to amend its Articles of Incorporation to extend the Parent Company's corporate life for another 50 years. The Philippine SEC approved the amendment on October 28, 2016, which extended the term of the Parent Company's existence for another 50 years from July 22, 2018 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.

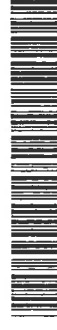
Status of Operations

On December 4, 1996, the BOD formally approved the cessation of the Parent Company's manufacturing operations. In 1997, the Parent Company realigned its business activities to trading of, among others, imported staple fiber, yarn, pet preform and cement following the cessation of its manufacturing operations in October 1996 due to labor problems. The trading segment, following the cessation of its operation in 2005, is now primarily focused on asset disposal programs and leasing of the segment warehouse, in accordance with the Parent Company's secondary purpose. The AOI of the Parent Company states in its secondary purpose that the Parent Company may acquire by purchase or lease, or otherwise, land and interest in lands and buildings; to own, hold, improve, develop and manage real estate so acquired and to erect or cause to be erected buildings or other structures with their appurtenances on any lands owned, held or occupied by the Parent Company; to rebuild, enlarge, alter or improve any buildings or other structures now or hereafter erected on any lands so owned, held or occupied; to mortgage, sell, lease or otherwise dispose of any lands or interest in lands and in buildings, or in any stores, shops, suites, rooms or part of any buildings or other structures, at any time owned or held by the Parent Company.

Going Concern

The parent company financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realization of assets and the settlement of liabilities in the normal course of business.

The Parent Company has incurred cumulative losses amounting to ₱1,803.7 million and ₱1,784.2 million as at December 31, 2018 and 2017, respectively, resulting to a capital deficiency of ₱634.0 million and ₱612.3 million as at December 31, 2018 and 2017, respectively. These conditions,



along with other matters indicate the existence of a material uncertainty which may cast significant doubt about the Parent Company's ability to continue as a going concern. The parent company financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

On October 24, 2016, the PSE has 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 ₱1.2 billion through the Sta. Rosa property as dacion
- Discussions/negotiations with real estate companies for potential joint venture arrangement over the property to develop the 30 hectares (ha.) property located at Sta. Rosa, Laguna
- Discussions/negotiations regarding the sale of the property located in Gen. Malvar Alvarez, Cavite City, and
- SEC Order of Revocation dated August 26, 2002

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

In September 2017, the BOD and stockholders of the Parent Company approved a business plan, which consists of the following phases:

- a. Financial restructuring subject to Philippine SEC approval
- b. Development of the Sta. Rosa property, and
- c. A new business activity for recycled Polyethylene Terephthalate (PET) to be registered with the Philippine Economic Zone Authority

In relation to the financial restructuring, in September 2018, the BOD approved the following:

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



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

The BOD also approved in September 2018 the incorporation of the wholly-owned subsidiary of the Parent Company to carry out the business activity for recycling PET within the Philippine Economic Zone Authority.

On February 18, 2018, the Commission en Banc has 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 and filed it on October 30, 2018.

As discussed in Note 11, negotiations are on-going with the Mortgage Trust Indenture (MTI) creditor to either finally settle the Parent Company's debt or to have the MTI extended for a renewed term. On December 10, 2009, the BOD of the Parent Company has approved to offer the Parent Company's property in Sta. Rosa, Laguna as payment in lieu of the entire obligation to Chinatrust (Philippines) Commercial Bank Corporation (Chinatrust), and in case of the latter's acceptance, to offer to manage the property in trust, in consideration of management fees and trustee fees, until such time as may be agreed by the parties.

On November 2, 2010, Chinatrust accepted the proposal of the Parent Company to fully settle its outstanding loan obligation, including accrued interest, amounting to ₱1.31 billion under a "Dacion En Pago" arrangement. 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 another creditor.

Authorization for Issuance of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2018 and 2017 were authorized for issuance by the BOD through the Executive Committee on April 29, 2019.

2. Basis of Preparation, Statement of Compliance, and Changes in Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis and are presented in Philippine peso, the Parent Company's functional and presentation currency under the Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRSs.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new and amended PFRSs, Philippine and Auditing Standards (PAS) and Philippine Interpretations starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the parent company financial position or performance unless, otherwise indicated.



- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

Since the Parent Company's current practice is in line with the clarifications issued, the Parent Company does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- PFRS 9, *Financial Instruments*
PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Parent Company adopted PFRS 9 using the modified retrospective method of adoption, with an initial application date of January 1, 2018. The Parent Company has not restated the comparative information, which continues to be reported under PAS 39.

The effects of adopting PFRS 9 as at January 1, 2018 are as follows:

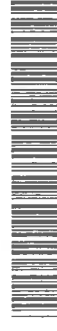
a. Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Parent Company's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Parent Company. The Parent Company continued measuring at amortized cost all financial assets previously held at amortized cost under PAS 39.

Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.



There are no changes in classification and measurement for the Parent Company's financial liabilities.

b. Impairment

The adoption of PFRS 9 has fundamentally changed the Parent Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Parent Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL and contract assets.

Upon adoption of PFRS 9, there is no change in the carrying amount of the financial assets as at December 31, 2018 and 2017.

c. Hedge accounting

The Parent Company has no existing hedge relationships as at December 31, 2018, thus will not have an impact on the financial statements.

- PFRS 15, Revenue from Contracts with Customers
PFRS 15 supersedes, PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also requires extensive disclosures.

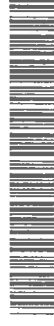
The Parent Company has adopted PFRS 15 as at January 1, 2018. Since the Parent Company's primary operation is still suspended, the Parent Company does not expect any significant effect on its consolidated financial statements upon adoption of this standard. The Parent Company's current source of income is covered by another standard.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of these new pronouncements to have significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits*, *Plan Amendment*, *Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*



- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Parent Company is currently assessing the impact of adopting PFRS 16.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectiveness

- 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 revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the parent company financial statements in the year of adoption, if applicable.

3. **Summary of Significant Accounting and Financial Reporting Policies**

Presentation of Parent Company Financial Statements

The Parent Company has elected to present all items of recognized income and expense in one single parent company statement of comprehensive income.



Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in banks and short-term investments. Cash on hand is intended for small payments not covered by checks. Cash in banks are savings and current accounts in major banks of high-quality credit standing which earn interest at respective bank rates. Short-term investments are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and that are subject to insignificant risk of changes in value.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of the entity and a financial liability or equity instrument of another entity.

(i) Financial Asset

Accounting policies on the classification and measurement and impairment of financial assets applied before January 1, 2018

Initial Recognition and Measurement

Financial instruments are recognized in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. The Parent Company determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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

As at December 31, 2017, the Parent Company's financial assets are in the nature of loans and receivables. The Parent Company has no financial assets at FVPL, HTM investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. 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, if any, is included in other financial charges in the parent company statement of comprehensive income. The losses arising from impairment of receivables, if any, are recognized provision for impairment losses in the parent company statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.



The Parent Company's loans and receivables include cash and cash equivalents and other noncurrent assets (see Note 5).

Derecognition of Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Impairment of Financial Assets

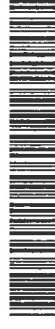
The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Parent Company first assesses whether impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in the parent company statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Parent Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.



Accounting policies on the classification and measurement and impairment of financial assets applied on or after January 1, 2018

Initial Recognition and Measurement of Financial Assets

Financial assets are measured at fair value on initial recognition, and are subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing the financial assets. The Parent Company initially measures a financial asset at its fair value plus, in the case of financial assets not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Parent Company's financial assets are classified as financial assets at amortized cost. As at December 31, 2018, the Parent Company has no financial instruments classified as financial assets at FVPL, FVOCI, or derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The Parent Company measures financial assets at amortized cost if both the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely SPPI on the principal amount outstanding.

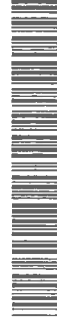
Financial assets at amortized costs are subsequently measured using the EIR method and are subject to impairment, gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

As at December 31, 2018 and 2017, the Parent Company's financial asset at amortized cost pertains to cash and cash equivalents and other noncurrent assets (see Note 5).

Derecognition of Financial Assets

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 statement of financial position) when:

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



Impairment of Financial Assets

The Parent Company recognizes an allowance for ECLs for all financial instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other noncurrent assets, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. The Parent Company recognizes an allowance based on 12-month ECLs. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower
- b) a breach of contract,
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization, or
- e) the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy

The Parent Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Parent Company's recovery



procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(ii) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company's financial liabilities are recognized initially at fair value and, in the case of payables, net of directly attributable transactions costs.

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 in the parent company statement of comprehensive income.

Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e. g., accounts payable, accrued liabilities). Loans and borrowings are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the parent company statement of comprehensive income when the liabilities are derecognized, as well as through the EIR amortization process.

Other financial liabilities are included in current liabilities if settlement is to be made within twelve (12) months from the end of the reporting date. Otherwise, these are classified as noncurrent liabilities.

The Parent Company's other financial liabilities includes accounts and other payables, excluding government payables, restructured loans and loans payable to a stockholder (see Notes 10, 11 and 16a).

Subsequent Measurement

Loans and Borrowings

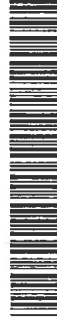
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

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 in "Other charges - net" in the statements of comprehensive income.

As at December 31, 2018 and 2017, the Company's loans and borrowings pertain to restructured loans (see Note 11).

Payables

This category pertains to financial liabilities that are not held for trading or not designated at FVPL or loss upon the inception of the liability. These include liabilities arising from operations (e.g., amounts owed to related parties and accrued expenses). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.



This accounting policy applies to the Group's accounts and other payables and loans payable to a stockholder (see Notes 10 and 16).

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

(iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Fair Value Measurement

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in Note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Parent Company.

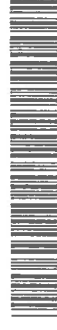
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the parent company 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 parent company financial statements on a recurring basis, the Parent Company 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 Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Prepayments and Other Current Assets

Prepayments and other current assets pertain to creditable withholding taxes (CWTs), prepaid expenses, input value-added tax (VAT) and other current assets. These assets are classified as current when it is probable to be realized within one year from the end of the reporting date. Otherwise, these are classified as noncurrent asset.

CWTs

CWTs are amounts withheld from income subject to expanded withholding taxes and certain tax and nontax incentives entitled to the Parent Company under its registration with the BOLI. CWTs can be utilized as payments for income taxes, provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Input and Output VAT

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

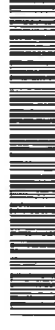
Output VAT represents indirect taxes passed on the Parent Company's customer resulting from sale of goods and other income, as applicable, and as required by the Philippine taxation laws and regulations.

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 statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Investments in and Advances to Subsidiaries *Investments in Subsidiaries*

The Parent Company's investment in subsidiaries is accounted for under the cost method of accounting. A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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



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

Company	Principal Place of Business	Nature of Business	Percentage of Ownership
Island King Aquaventures Corporation (IKAC)	Philippines	Aquaculture; non-operating	77.08%
SRTC Development Corporation (SRTC)	Philippines	Real estate; liquidating	56.98%

Investments in Associates

Associate is an entity over which the Parent Company has significant influence but not control, generally accompanying a shareholding of between twenty percent (20%) and fifty percent (50%) of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Parent Company's investments in associate are accounted for using the equity method.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Parent Company's share of net assets of the associate or joint venture since the acquisition date.

The accounting policies of the associate conform to those used by the Parent Company for like transactions and events in similar circumstances. The associate has a calendar year ending December 31.

Investment Properties

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

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

Transfers are made (or from) to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties 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.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Parent Company as an owner-occupied property becomes an investment property, the Parent Company accounts for such property in accordance with the policy stated under 'Property and equipment' up to the date of change in use.



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

Impairment of Nonfinancial Prepayments and Other Current Assets
Nonfinancial Prepayments and Other Current Assets

Prepayments and other current assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of nonfinancial prepayments and other current assets are estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the parent company statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the nonfinancial prepayments and other current assets are increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss have been recognized for the nonfinancial prepayments and other current assets in prior years. A reversal of impairment loss is recognized immediately in the parent company statement of comprehensive income.

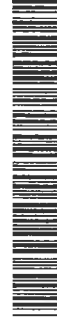
Investment Properties

The Parent Company assesses at each end of the reporting date whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the parent company statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the parent company statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Investments in and Advances to Subsidiaries and Investments in Associates

The Parent Company determines whether it is necessary to recognize impairment loss of the Parent Company's investments in and advances to subsidiaries and investments in associates. The Parent Company determines at each end of the reporting date whether there is any objective evidence that the investments in subsidiaries and associates are impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries and associates and their carrying amounts and recognizes the amount in the parent company statement of comprehensive income.



Capital Stock

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

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments. When the retained earnings account has a debit balance, it is called 'Deficit'. A deficit is not an asset but a deduction from equity.

Other Comprehensive Income (OCI)

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

Revenue Recognition— before adoption of PFRS 15

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. 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. The Parent Company has concluded that is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements and is also exposed to credit risk.

Rental Income

Revenue from rental of leased property is recognized in the parent company statement of comprehensive income on a straight-line basis over the term of the lease agreement.

Interest Income

Interest income is recognized as it accrues, taking into account the effective yield of the asset.

Revenue Recognition—upon adoption of PFRS 15

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those services.

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

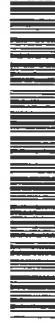
Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable. Revenue is recognized as the interest accrues taking into account the effective yield of the asset.

Cost and Expenses

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

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease Commitment - Parent Company as a Lessor

Leases where the Parent Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating Lease Commitments - Parent Company as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under non-cancellable operating leases are recognized as an expense in the parent company statement of comprehensive income 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 Parent Company operates and generates taxable income.

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

Deferred Tax

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

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

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



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

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

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

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

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

Retirement Plan Assets

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.



Net amount of service costs and net interest on the net defined benefit liability or asset is recognized as 'Interest expense' or 'Interest income' in the parent company statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve (12) months after the end of the reporting date in which the employees render the related service. Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve (12) months after the end of the reporting date from which the employees render the related service.

Foreign Currencies

The Parent Company's financial statements are presented in Philippine peso, which is also the Parent Company's functional currency.

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

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

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



differences on items whose fair value gain or loss is recognized loss is recognized in other comprehensive income or profit or loss, respectively).

Contingencies

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

Basic/ Diluted Loss Per Share

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

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

Events After the End of the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased



item. Based on management's assessment, the risk and rewards of owning the items leased by the Parent Company are retained by the lessor and therefore accounts for such lease as operating lease.

Classification of Investment Properties

The Parent Company follows the guidance of PAS 40 in classifying properties as investment properties. This classification requires significant judgment. In making this judgment, the Parent Company evaluates its intention for holding the properties. The Parent Company determines that currently its intention for holding the properties is to earn rentals there from and for capital appreciation rather than to use these in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business despite the fact that the properties were previously used as the location of the Parent Company's manufacturing plant prior to the cessation of the Parent Company's manufacturing operations. Consequently, these properties were classified as investment properties.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Parent Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Parent Company. Such changes are reflected in the assumptions when these occur.

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

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

The Parent Company assesses whether there are any indicators of impairment for investments in and advances to subsidiaries and investments in associates at each end of reporting date. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

No provision for impairment losses on investments in and advances to subsidiaries were recognized in 2018 and 2017. The carrying values of investments in and advances to subsidiaries amounted to nil, net of allowance for impairment losses of ₱153,392,946 as at December 31, 2018 and 2017 (see Note 7).

No provision for impairment losses on investments in associates were recognized in 2018 and 2017. The carrying value of investments in associates amounted to ₱1, net of allowance for impairment losses of ₱2,267,500 as at December 31, 2018 and 2017 (see Note 8).

Estimation of Impairment Losses on Investment Properties

The Parent Company assesses impairment on property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and



- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

The carrying value of investment properties amounted to ₱898,657,147 as at December 31, 2018 and 2017 (see Note 9).

Estimation of Impairment Losses on Nonfinancial Prepayments and Other Current Assets

The Parent Company provides allowance for impairment losses on nonfinancial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current assets. An impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what have been determined had no impairment loss been recognized for the asset in prior years. The Parent Company's nonfinancial prepayments and other current assets amounted to ₱11,309,356 and ₱10,274,372 as at December 31, 2018 and 2017, respectively, net of allowance for impairment losses of ₱53,444,095 as at December 31, 2018 and 2017 (see Note 6).

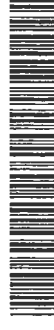
Determination of Retirement Plan Assets

The determination of the Parent Company's assets and fair value for retirement plan assets is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for retirement plan assets are described in Note 17 and include among others, discount rates, expected return on plan assets, and future ratio of compensation increase. In accordance with PFRS, actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the Parent Company's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience on changes in assumptions may materially affect the Parent Company's retirement costs and liability.

Retirement plan assets amounted to ₱23,961,361 and ₱24,224,038 as at December 31, 2018 and 2017, respectively. Retirement benefit income amounted to ₱698,330 and ₱456,920 in 2018 and 2017, respectively (see Note 17).

Assessment of Realizability of Deferred Tax Assets

The Parent Company reviews the carrying amounts of deferred taxes at each end of the reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies.



Temporary differences, net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT) in which no deferred tax assets were recognized as the management has assessed that it is not probable that sufficient taxable income will be available for which the benefit of the deferred tax assets can be utilized amounted to ₱306,398,013 and ₱298,465,665 as at December 31, 2018 and 2017, respectively (see Note 15).

Determination Amount of Contingencies

The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe these proceedings will have a material adverse effect on the parent company financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 20).

5. Cash and Cash Equivalents

	2018	2017
Cash on hand	₱35,000	₱35,000
Cash in banks	15,266,474	11,198,858
Short-term investments	21,484,325	20,318,406
	₱36,785,799	₱31,552,264

Interest income earned from cash in banks and short-term investments amounted to ₱195,334 and ₱177,880 in 2018 and 2017, respectively.

The Parent Company has United States Dollar (US\$)-denominated cash in bank amounting to US\$6,662 and US\$6,661 as at December 31, 2018 and 2017, respectively (see Note 18).

6. Prepayments and Other Current and Noncurrent Assets - net

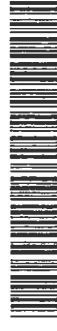
	2018	2017
CWTs	₱4,909,756	₱4,460,606
Prepaid expenses	3,172,467	2,673,917
Input VAT	1,675,703	1,806,048
Others	1,551,420	1,333,801
	₱11,309,346	₱10,274,372

Prepaid expenses pertain to prepaid taxes and licenses and prepaid rent.

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

Others pertain to advances to officers and employees and receivables from various sources.

Others pertain to advances to officers and employees and other receivables.



Details of other noncurrent assets are as follows:

	2018	2017
CWTs	₱53,444,095	₱53,444,095
Refundable deposit	826,165	767,770
Others	89,050	89,050
	54,359,310	54,300,915
Less allowance for impairment losses on CWTs - noncurrent	53,444,095	53,444,095
	₱915,215	₱856,820

Noncurrent portion of CWTs pertains to the amount of tax credits which are not expected to be recovered within 12 months.

Others pertains to the amount of miscellaneous deposits related to rent such as of office and parking spaces.

7. Investments in and Advances to Subsidiaries - net

There are no additions to investments in subsidiaries and in advances to subsidiaries during the year.

Investments in subsidiaries	
Acquisition costs:	
IKAC	₱48,243,130
SRTC	19,247,202
	67,490,332
Advances to a subsidiary (Note 17)	85,902,614
	153,392,946
Less allowance for impairment losses	153,392,946
	₱ -

Details to the amounts are as follows:

- An allowance for impairment losses on investments in and advances to subsidiaries was provided because these investees have negative net worth and have suspended their operations.
- On November 22, 2001, the BOD and stockholders of SRTC approved the amendment of SRTC's Articles of Incorporation to shorten its life until December 31, 2001. Subsequently, SRTC declared advance liquidating dividends to its stockholders. Advance liquidating dividends received from SRTC were recognized by the Parent Company as a reduction in its investment in SRTC. On September 25, 2014, the BOD and stockholders of SRTC approved the amendment of the Parent Company's Articles of Incorporation to shorten its life until December 31, 2014. This approval has superseded the approval made in 2001.



The following table shows the summarized financial information of SRTC and IKAC:

2018	SRTC	IKAC
Total assets	₱724,540	₱20,851,218
Total liabilities	159,087	93,293,498
Revenues	–	919,000
Net income (loss)	(39,000)	112,069
2017	SRTC	IKAC
Total assets	₱1,325,313	₱20,732,342
Total liabilities	225,087	93,286,796
Revenues	–	994,000
Net loss	(39,000)	62,331

- c. Investment in SRTC was used as an additional security in favor of the creditors for the payments of debts secured by the second MTI (see Note 11). This investment was substantially liquidated as of yearend.

8. Investments in Associates - net

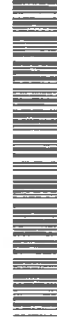
Investment in associates amounted to ₱1, net of allowance for impairment losses amounted to ₱2,267,500 as at December 31, 2018 and 2017. An allowance for impairment losses on investments in associates was provided because these associates have negative net worth and have suspended their operations. Associates of the Parent Company are Filsyn International Corporation, Lakeview Industrial Corporation and Lefiltron Trading.

9. Investment Properties - at deemed cost

The disclosure below shows the information of investment properties carried at cost as at December 31, 2018 and 2017. These parcels of land were previously used as the location of the Parent Company's manufacturing plant. However, due to the Parent Company's cessation of its manufacturing operations as discussed in Note 1, the Parent Company currently holds the land as investment properties.

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

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 ₱14.87 million. As at December 31, 2018 and 2017, the balance of deficit includes the remaining balance of the deemed cost adjustment amounting to ₱681,714,467 which arose when the Parent Company transitioned to PFRS in 2005.



The fair value of the investment properties have been determined based on the valuations performed by Asian Appraisal dated March 8, 2019. Asian Appraisal is an industry specialist in valuing these types of investment properties.

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

Details of the deemed cost as of December 31, 2018 and fair value of parcels of lands as of March 8, 2019 are as follows:

Location	Deemed Cost	Fair Value	Observable Input	Total Land Area	Estimated Fair Value per sq. m.
Sta. Rosa	₱750,045,000	₱1,710,103,000	Price per square meter	300,018 sq. m.	₱5,700 per sq. m.
Gen. Mariano Alvarez	148,612,147	406,790,000	Price per square meter	162,716 sq. m.	₱2,500 per sq. m.
	₱898,657,147	₱2,116,893,000			

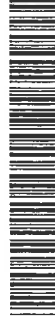
The Parent Company has assessed that the highest and best use for its land in Sta. Rosa, Laguna is for light industrial development since it would be too large for a commercial development and a residential subdivision development will not yield a maximum return. The Parent Company assessed that the highest and best use of the idle investment property in Gen. Mariano Alvarez is to develop the land into a self-contained residential subdivision project offering mainly and in combination of vacant residential house and lots and house and lot package complemented with some commercial and institutional usage. For strategic purposes, the property is not being used in this manner.

Rental income earned on the investment property in Sta. Rosa, Laguna amounted to ₱32,402,256 and ₱26,942,628 in 2018 and 2017, respectively (see Note 13a). Direct operating expenses which are composed of real property taxes and repairs and maintenance amounted to ₱4,198,366 and ₱3,015,324 in 2018 and 2017, respectively.

No rental income was earned nor direct operating expenses incurred for the investment property in Gen. Mariano Alvarez, Cavite. Real property taxes paid on this investment property amounted to ₱937,244 in 2018 and 2017.

10. Accounts and Other Payables

	2018	2017
Accounts payable	₱1,259,992	₱346,131
Accrued interest	423,147,592	405,415,619
Nontrade	7,028,268	7,668,266
Government payables	3,807,845	4,328,975
Accrued expenses	1,830,167	3,583,743
Others	2,018,906	954,175
	₱439,092,770	₱422,296,909



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

Accrued interest payable pertains to interest payable of the Parent Company from its restructured loans and are payable on demand.

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

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

Nontrade payables pertain to payables of the Parent Company from various sources.

Other payables include customers' rental and security deposits.

11. Restructured Loans

As at December 31, 2018 and 2017, debt secured by first MTI and second MTI amounted to ₱155,684,615 and ₱774,448,067, respectively, totaling to ₱930,132,682.

The Parent Company's debts bear fixed interest rate of 12.03% per annum and are secured by a MTI dated October 29, 1982 covering the Parent Company's investment property situated in Sta. Rosa, Laguna (see Note 9). These are payable in accordance with the terms of the second MTI as discussed in the succeeding paragraphs.

On December 14, 1998, the Parent Company entered into an agreement (the 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 (see Note 7d).

The first and second MTI provide, among other things, that the Parent Company shall:



- a. at all times maintain the sound value of the collateral at a level at least equal to the aggregate of the specified collateral values for the various loan accounts;
- b. not make any alterations upon, sell, assign, transfer, encumber or otherwise dispose of any collateral without the prior consent in writing of the trustee acting upon the written direction of the majority creditors; and
- c. at all times keep the collateral in good condition.

The Agreements covering the debts secured by the first and second MTI contain, among others, some or all of the following restrictions: payment of cash dividends, incurrence of any major expenditures, incurrence of additional indebtedness or obligations, acquisition by the Parent Company of its own capital stock and merger or consolidation with any corporation.

The Agreement was extended for an additional period of two years until January 2004. In August 2004, Chinatrust took over the trusteeship on the first and second MTI from Hong Kong Shanghai Bank Corporation which is one of the creditor banks. Also, in 2004, Chinatrust has assumed the participation of the other creditors of the first and second MTI and became the sole holder of the mortgage participation contracts.

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

On November 2, 2010, Chinatrust accepted the proposal of the Parent Company to fully settle its outstanding loan obligation amounting to ₱1.31 billion through the Sta. Rosa property as dation in payment. Chinatrust agreed that the Parent Company shall not be liable for any deficiency between the amount of the outstanding loan obligation and the value of the Sta. Rosa property. The "dacion en pago" did not materialize and the ownership of the loan was transferred to Chuang Yuan Limited, a company incorporated in Taiwan.

As at December 31, 2017, the creditor on the first and second MTI is Chuang Yuan Limited.

On August 27, 2018, Chuang Yuan Limited sold the loan to Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments), a company incorporated in Singapore and a related party (see Note 16).

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 (Note 1).

12. Capital Stock

The Company's capital stock is composed of ₱5 par value common stocks classified as Class A and Class B stocks. Class A stocks are composed of 144,000,000 authorized shares with 123,747,707 shares issued, while Class B stocks are composed of 96,000,000 authorized shares with 82,498,474 shares issued as at December 31 2018 and 2017..

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 at December 31, 2018 and 2017, the Parent Company has a total of 515 stockholders with 446 stockholders holding 100 or more shares.

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

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

13. Lease Agreements

a. Parent Company as Lessor

On February 7, 2007, the Parent Company has an existing lease agreements with various third parties (lessees) covering the Parent Company's investment property located in Sta. Rosa, Laguna. The term of the lease are generally renewable every six months to one year or at the option of both parties under the terms and stipulations mutually agreed upon, unless sooner terminated due to breach of agreement.

Rental income earned amounted to ₱32,402,256 and ₱26,942,628 in 2018 and 2017, respectively.

b. Parent Company as Lessee

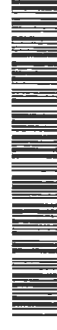
On December 16, 2009, the Parent Company and Aquarich, Incorporated (lessor) entered principally into a lease contract wherein the Parent Company will lease the lessor's commercial space located at The Pearlbank Centre, Salcedo Village, Makati City. The lease period is from December 16, 2009 to December 31, 2015. An annual rent escalation of 10% on the 3rd year and 7% on the 4th and 5th year shall be applied to the monthly rentals of the lessee for the leased premises. At the end of the lease period, the lease agreement may be renewed only upon the consent and approval of the lessor and provided that the lessee has no outstanding obligations with the lessor.

This was subsequently renewed for a period of five years commencing on January 1, 2015 to December 31, 2019 with no rent escalation for the first three years, 5% escalation on the 4th year, and another 5% escalation on the 5th year.

The minimum lease payments for the next five years is as follows:

	2018	2017
Within one (1) year	₱1,185,953	₱1,132,046
After one (1) year but not more than five (5) years	–	1,185,953
	₱1,185,953	₱2,317,999

The Parent Company entered into lease agreements with various lessors for the rental of parking lots and office equipment.



Total rental expense pertaining to these rentals amounted to ₱1,394,142 and ₱1,115,239 in 2018 and 2017, respectively (see Note 14).

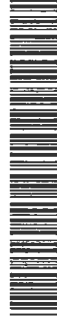
14. Costs and Expenses

	2018	2017
Professional fees	₱3,610,673	₱2,990,588
Contractual laborer	2,544,405	2,837,054
Taxes and Licenses	4,952,527	4,418,143
Security services	4,298,134	4,087,360
Rentals (Note 13)	1,394,142	1,115,239
Employee benefits	1,212,111	801,223
Salaries and wages	1,015,978	1,255,908
Entertainment, amusement and recreation	881,604	1,227,873
Repairs and maintenance	483,054	245,548
Transportation and travel	328,811	172,097
Utilities	173,453	169,529
Office supplies	57,374	39,356
Subscriptions, dues and donations	7,294	542,952
Insurance	—	4,758
Others	2,130,031	938,644
	₱23,089,591	₱20,846,272

15. Income Taxes

- The Parent Company is subject to regular corporate income tax (RCIT) or MCIT, whichever is higher. The provision for income tax in 2018 and 2017 represents RCIT and MCIT, respectively.
- The reconciliation of income tax computed at the statutory income tax rate to provision for current income tax as shown in the parent company statements of comprehensive income follows:

	2018	2017
Tax at statutory income tax rate	(₱4,899,613)	(₱3,399,058)
Add (deduct) tax effects of:		
Nondeductible expenses	5,786,866	5,907,126
Movement in unrecognized deferred tax assets	2,379,702	(1,217,974)
Interest income already subjected to final tax	(58,600)	(53,364)
	₱3,208,355	₱1,236,730



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

	2018	2017
Allowance for impairment losses on:		
Investments in and advances to subsidiaries and associates	₱155,660,446	₱155,660,446
Other noncurrent assets	92,904	92,904
Unrealized foreign exchange losses	96,636,613	88,704,265
Accrued rent	563,955	563,955
	₱252,953,918	₱245,021,570

- d. The components of recognized deferred tax liabilities or deepree as at December 31, 2018 and 2017 are as follows:

	2018	2017
Investment properties	₱68,330,533	₱68,330,533
Retirement plan assets	8,705,544	7,267,211
	₱77,036,077	₱75,597,744

- e. As at December 31, 2018 and 2017, the Parent Company has no NOLCO and excess MCIT.

- f. The Parent Company did not avail of the optional standard deduction in 2018 and 2017.

16. Related Party Disclosures

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

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

Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Stockholder</i>				
Trans-Pacific Oriental Holding Company, Inc. (Trans-Pacific)				
Loan payable				
2018	₱—	₱157,740,000	Payable in cash and	Unsecured and
2017	₱—	₱149,790,000	on demand; non-interest bearing since 2001	unguaranteed



Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Stockholder</i>				
Malaysia Garment Restructured loans				
2018	930,132,682	₹930,132,682	Payable in cash and on demand; interest bearing	Secured by first and second MTIs
<i>Subsidiary</i>				
IKAC				
2018	-	85,902,614	Payable in cash and on demand,	Unsecured and unguaranteed
2017	-	85,902,614	non-interest bearing	

- a. The Parent Company has availed of working capital US dollar-denominated loan payables from Trans-Pacific, a major stockholder, amounting to \$3,000,000 as at December 31, 2018 and 2017 (see Note 18). The loan payables earn with fixed interest rate, but a modification in the original agreement happened on 2001 wherein no interest will be charged for this liability. There were no availments nor were payments made for this loan in 2018 and 2017.
- b. The Parent Company has an outstanding loan with Malaysia Garment secured by first and second MTI amounting to ₱155,684,615 and ₱774,448,067, respectively, totaling to ₱930,132,682. Accrued interest on the loan amounted to ₱400,143,878 and 381,411,914 as at December 31, 2018 and 2017, respectively.
- c. In 1987, the Parent Company granted advances to IKAC amounting to ₱49,511,920 to supplement the start of its commercial operations. Accrued interest receivable from these advances amounted to ₱36,390,694 as at December 31, 2018 and 2017 (see Note 7).

Compensation of Key Management Personnel

The Parent Company considered all employees holding managerial positions up to president as key management personnel. Compensation of key management personnel, which consist of short-term and employee benefits, amounted to ₱835,842, ₱553,212, and ₱553,212 in 2018, 2017 and 2016, respectively.

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 ₱23,961,361 and ₱24,244,038 as at December 31, 2018 and 2017, respectively (see Note 17).

17. 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, 2018 and 2017.



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 latest independent actuarial valuation report as at April 2, 2018 in accordance with Revised PAS 19, *Retirement Benefits*. The plan is administered by independent trustee with assets held separately from those of the Parent Company.

The following tables summarize the funded status and amounts recognized in the parent company statements of financial position, and the components of the retirement benefit income recognized in the parent company statements of comprehensive income for the retirement plan:

	2018	2017
Present value of obligation (PVO)	₱3,363,898	₱3,246,950
Fair value of plan assets	(27,325,259)	(27,470,988)
	(₱23,961,361)	(₱24,224,038)

Movements in the retirement plan assets are as follows:

	2018	2017
Beginning balances	(₱24,224,038)	(₱24,334,656)
Retirement benefit income	(698,330)	(456,920)
Actuarial losses on plan assets	961,007	567,538
Ending balances	(₱23,961,361)	(24,224,038)

Movements in the retirement plan assets are as follows:

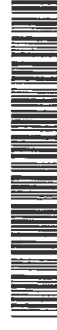
	2018	2017
Current service cost	₱86,529	₱119,812
Net interest income on benefit obligation and plan assets	(784,859)	(576,732)
	(₱698,330)	(456,920)

Retirement benefit income is presented in under ‘Interest income’ in the parent company statements of comprehensive income.

As at December 31, 2018 and 2017 the Parent Company’s plan asset is in a funded status. Consequently, the Parent Company does not expect to make any contribution to its retirement plan in 2018.

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

	2018	2017
Less than one (1) year	₱3,496,158	₱3,375,796
More than one (1) year to five (5) years	–	–
	₱3,496,158	₱3,375,796



18. Financial Risk Management Objectives and Policies and Capital Management

Financial Risk Management Objectives and Policies

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

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

Credit Risk

Credit risk arises from the possibility that the Parent Company may incur financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables and amounts owed by related parties. In addition, the balances of receivables and amounts owed by related parties are monitored on an ongoing basis so that the Parent Company's exposure to impairment losses is not significant. There is no significant concentration of credit risk in the Parent Company.

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

Generally, receivables and amounts by related parties are written off if it can no longer be recovered and are not subject to enforcement activity. As of December 31, 2018, the maximum exposure to credit risk is the carrying value of each class of financial assets.

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



The table below shows the maximum exposure to credit risk for the Parent Company's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2018 and 2017.

	2018	2017
Cash and cash equivalents:		
Cash in banks	₱15,266,474	₱11,198,858
Cash equivalents	21,484,325	20,318,406
Refundable deposits	915,215	856,821
	₱37,666,014	₱32,374,085

The credit quality of financial assets is managed by the Parent Company using internal credit ratings and is classified into three: High grade, which has history of no default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three payment defaults.

Accordingly, the Parent Company has assessed the credit quality of all the financial assets that are neither past due nor impaired:

- a) Cash in banks and cash equivalents are classified as high grade and deposited in reputable banks. Cash in banks can be withdrawn anytime and cash equivalents has a maturity of three months or less than the date of acquisition with insignificant risk of changes in value.
- b) Other noncurrent assets pertain to refundable deposits which are classified as high grade since these are refundable upon termination of contracts.

Liquidity Risk

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

The Parent Company seeks to manage its liquid funds through cash planning on a monthly basis. The 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, 2018 and 2017 which are all due and demandable:

2018	On Demand	Within one (1) Year	Over one (1) Year	Total
<i>Financial liabilities</i>				
Accounts and other payables	₱435,284,928	₱-	₱-	₱435,284,928
Restructured loans	930,132,682	-	-	930,132,682
Loans payable to a stockholder	157,740,000	-	-	157,740,000
	₱1,523,157,610	₱-	₱-	₱1,523,157,610
2017	On Demand	Within one (1) Year	Over one (1) Year	Total
<i>Financial liabilities</i>				
Accounts and other payables	₱417,967,934	₱-	₱-	₱417,967,934
Restructured loans	930,132,682	-	-	930,132,682
Loans payable to a stockholder	149,790,000	-	-	149,790,000
	₱1,497,890,616	₱-	₱-	₱1,497,890,616

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 Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Parent Company is engaged.

The Group's foreign currency-denominated financial asset and liability as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	USD	Peso Equivalent	USD	Peso Equivalent
<i>Financial Asset</i>				
Cash in bank	\$6,662	₱332,588	\$6,661	₱332,584
<i>Financial Liability</i>				
Loans payable to a stockholder	(3,000,000)	(157,740,000)	(3,000,000)	(149,790,000)
Net financial liability	(\$2,993,338)	(₱157,407,412)	(\$2,993,339)	(₱149,457,416)

As at December 31, 2018 and 2017, the exchange rates of the Philippine peso to the US\$ are ₱52.58 and ₱49.93 to US\$1.00 respectively.

The sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Parent Company's income before tax as at December 31, 2018 and 2017 is as follows:

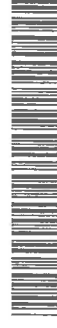
	Change in foreign exchange rate	Effect in loss before income tax
2018	+0.71	(₱2,125,271)
	-0.66	1,975,604
2017	+0.42	(₱1,257,202)
	-0.63	1,885,804

Capital Management

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

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may obtain additional advances from stockholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2018 and 2017. The Parent Company has no to externally imposed capital requirement.

The Parent Company considers its common shares as capital. As at December 31, 2018 and 2017, the Parent Company's capital is composed of common shares amounting to ₱1,031,230,905. (see Note 12).



As at April 29, 2019, the BOD agreed to maintain the Parent Company's operations at status quo; i.e., continue with the asset disposal programs and lease out the Parent Company's warehouse in Sta. Rosa, Laguna and to look for a potential partner for a joint venture agreement.

19. 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 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.

Other Noncurrent Assets

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

Dividends Payable

The carrying values of the dividends payable approximate its fair value as the carrying value reflects the actual amount that will be paid to the stockholder upon distribution.

Restructured Loans

The carrying values of the fixed rate interest-bearing restructured loans approximate its fair value as the loans are already due and demandable.

Loan Payable to a Stockholder

The carrying values of the loans payable to a stockholder approximate its fair value as the loan is already due and demandable.

20. Contingent Liabilities

The Parent Company is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Parent Company's financial position or results of operation.

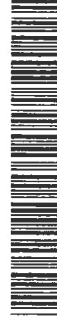
21. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of parent company financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Parent Company reported and/or paid the following types of taxes in 2018:

a. VAT

The Parent Company is a VAT-registered company with output VAT declaration of ₱3,813,113.67



for the year based on the amount reflected in the Vatable rental income of ₱31,775,947.

The amount of Input VAT claimed broken down into:

Beginning balance	₱1,806,048
Current year's domestic purchases or payments	1,411,149
Application	(1,541,495)
Ending balance	₱1,675,702

b. Taxes and Licenses

Details of taxes and licenses are as follows:

Real property taxes	₱4,652,657
License and permit fees	279,236
Others	20,634
	₱4,952,527

c. Others

The Parent Company has no locally produced or imported excisable item, landed cost of imports, custom duties, tariff fees and documentary stamp tax paid or accrued as at December 31, 2018.

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

