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N	/	A
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Company's Email Address	Company's Telephone Number	Mobile Number
info@filsyncorp.com	8-752-3133	None
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
516	September 26	December 31

The designated contact person <u>MUST</u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jaime Sto. Domingo	info@filsyn.com	8-752-3133	None
CONTACT PERSON'S ADDRESS			

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

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within 15 days of the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission's calendar days from the occurrence thereof with information and complete records to be considered as a deficiency. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

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

Report on the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of FILSYN Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and parent company statements of comprehensive income, parent company statements of changes in capital deficiency and parent company statements of cash flows for the years then ended, and notes to parent company the financial statements, including a summary of significant accounting policies.

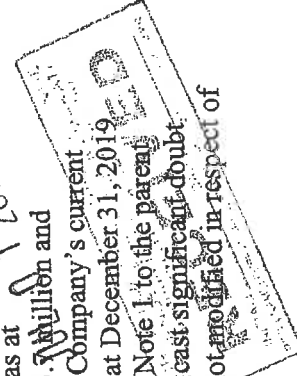
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the parent financial statements, which indicates that the Parent Company's Registration of Securities and Permit to Sell Securities to the public has been revoked in 2002. In addition, the Parent Company incurred net loss of ₱8.1 million and ₱19.5 million as at December 31, 2019 and 2018, respectively, resulting in capital deficiency of ₱703.7 million and ₱634.0 million as at December 31, 2019 and 2018, respectively. Also, the Parent Company's current liabilities exceeded its current assets by ₱1,513.7 million and ₱1,480.5 million as at December 31, 2019 and 2018, respectively. These conditions, along with other matters as set forth in Note 1 to the parent company financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 22 to the parent company financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the parent company financial statements. Such information is the responsibility of the management of the FILSYN Corporation. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Eleanore A. Layug
Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022

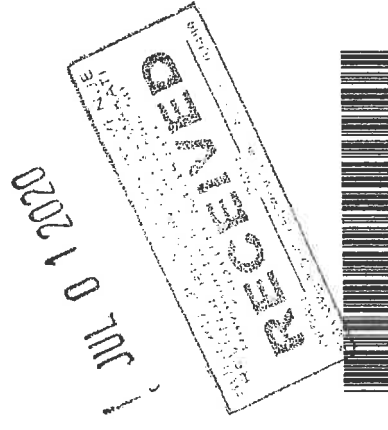
Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 8125246, January 7, 2020, Makati City

June 30, 2020

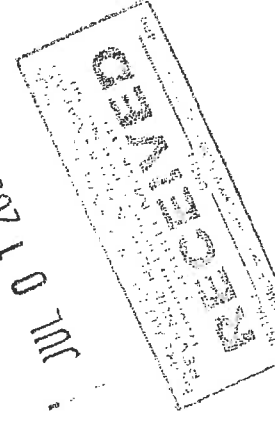


FILSYN CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱48,551,529	₱36,785,799
Prepayments and other current assets (Note 6)	2,506,120	11,309,356
Total Current Assets	51,057,649	48,095,155
Noncurrent Assets		
Investments in and advances to subsidiaries - net (Note 7)	26,108,800	-
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)	25,698,270	23,961,361
Other noncurrent assets - net (Note 6)	-	915,215
Total Noncurrent Assets	950,464,218	923,533,724
TOTAL ASSETS	₱1,001,521,867	₱971,628,879
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts and other payables (Note 10)	₱454,208,462	₱439,092,770
Restructured loans (Notes 11 and 16c)	930,132,682	930,132,682
Loans payable to a stockholder (Note 16a)	151,920,000	157,740,000
Due to a related party (Note 16)	25,000,000	-
Income tax payable	3,473,219	1,610,279
Total Current Liabilities	1,564,734,363	1,528,575,731
Noncurrent Liability		
Deferred tax liabilities (Note 15)	140,482,878	77,036,077
Total Liabilities	1,705,217,241	1,605,611,808
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)	(2,264,888)	(5,057,116)
Deficit (Note 1)	(1,876,251,136)	(1,803,746,463)
Total Capital Deficiency	(703,695,374)	(633,982,929)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	₱1,001,521,867	₱971,628,879

See accompanying Notes to Parent Company Financial Statements.

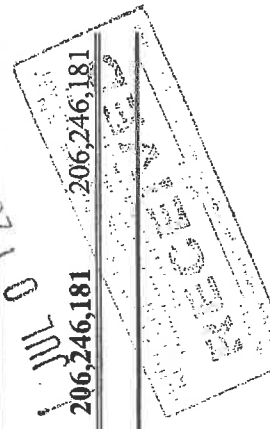
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FILSYN CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
RENTAL INCOME (Notes 9 and 13a)	₱38,697,740	₱32,402,256
COSTS AND EXPENSES (Note 14)	29,253,522	23,089,591
OTHER INCOME (CHARGES) - Net		
Foreign exchange gains (losses) - net	5,807,198	(7,932,348)
Others - net	530,057	125,950
	6,337,255	(7,806,398)
FINANCE INCOME (CHARGES)		
Interest expense (Note 11)	(18,731,973)	(18,731,973)
Interest income (Notes 5 and 17)	51,262	893,664
	(18,680,711)	(17,838,309)
LOSS BEFORE INCOME TAX	2,899,238	16,332,042
PROVISION FOR INCOME TAX (Note 15)		
Current	5,187,967	2,998,856
Deferred	(25,396)	209,499
	5,162,571	3,208,355
NET LOSS	8,061,809	19,540,397
OTHER COMPREHENSIVE (INCOME) LOSS		
<i>Other comprehensive (gain) loss not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement (gain) loss on retirement plan assets (Note 17)	(1,821,561)	961,007
Income tax effect	546,468	—
<i>Other comprehensive loss closed to retained earnings:</i>		
Deferred tax on investment property (Note 15)	64,442,864	—
TOTAL OTHER COMPREHENSIVE (INCOME) LOSS, NET OF TAX	63,167,771	961,007
TOTAL COMPREHENSIVE LOSS	₱71,229,580	₱20,501,404
LOSS PER SHARE		
Basic and diluted, for net loss attributable to equity holders of the Parent Company	₱0.04	₱0.10
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, 2019 and 2018**

	Capital Stock (Note 12)	Paid-in Capital	Additional Retirement Plan Gain (Loss) on Assets (Note 17)	Deficit (Note 1)	Total
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)
Net loss	—	—	—	(8,061,809)	(8,061,809)
Remeasurement gain (loss) on retirement plan assets, net of tax	—	—	2,264,888	—	2,264,888
Deferred tax on investment property (see Note 15)	—	—	—	(64,442,864)	(64,442,864)
Total comprehensive loss	—	—	2,264,888	(72,504,673)	(70,239,785)
Balances at December 31, 2019	₱1,031,230,905	₱143,589,745	(₱2,264,888)	(₱1,876,251,136)	(₱703,695,374)

See accompanying Notes to Parent Company Financial Statements.

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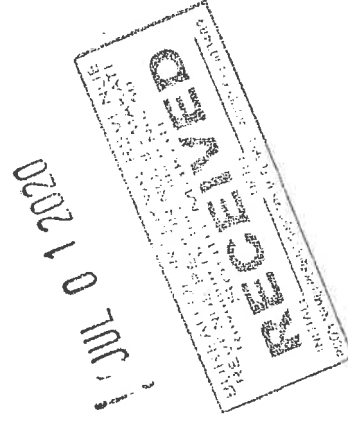
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FILSYN CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₦2,899,238)	(₦16,332,042)
Adjustments for:		
Interest expense (Note 11)	18,731,973	18,731,973
Unrealized foreign exchange (gains) losses – net	(5,807,198)	7,932,348
Movement in retirement plan assets (Note 17)	84,652	(698,330)
Interest income (Note 5)	(135,914)	(195,334)
Operating income before working capital changes	9,974,275	9,438,615
Decrease (increase) in prepayments and other current assets and and noncurrent assets (Note 6)	8,003,703	(2,481,955)
Decrease in accounts and other payables	(2,666,281)	(936,111)
Net cash generated from operations	15,311,697	6,020,549
Interest received	135,914	195,334
Interest paid	(950,000)	(1,000,000)
Income tax paid	(1,610,279)	–
Net cash flows generated from operating activities	12,887,332	5,215,883
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due to a related party (Note 16)	25,000,000	–
Net cash flows from investing activities	25,000,000	–
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in investments in and advances to subsidiaries (Note 7)	(26,108,800)	–
Net cash flows used in financing activities	(26,108,800)	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,778,532	5,215,883
EFFECT OF EXCHANGE RATE ON CHANGES ON CASH AND CASH EQUIVALENTS	(12,802)	17,652
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,785,799	31,552,264
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₦48,551,529	₦36,785,799

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.

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

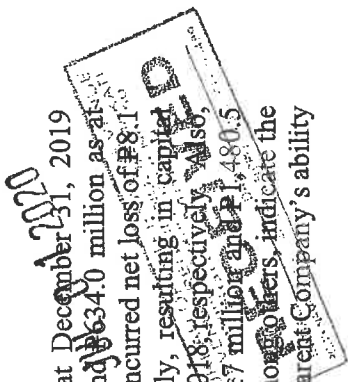
Status of Operations

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 net loss of ₱8.1 million and ₱19.5 million as at December 31, 2019 and 2018, respectively, resulting to a capital deficiency of ₱703.7 million and ₱634.0 million as at December 31, 2019 and 2018, respectively. In addition, the Parent Company incurred net loss of ₱8.1 million and ₱19.5 million as at December 31, 2019 and 2018, respectively, resulting in capital deficiency of ₱703.7 million and ₱634.0 million as at December 31, 2019 and 2018, respectively. Also, the Parent Company's current liabilities exceeded its current assets by ₱1,513.7 million and ₱1,480.5 million as at December 31, 2019 and 2018, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Parent Company's ability



to continue as a going concern and therefore, the Parent Company may be unable to realize its assets and discharge its liabilities in the normal course of business. 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

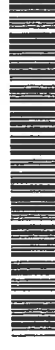
On December 12, 2016, the Parent Company responded to the PSE that discussions are ongoing on the first three items above with the appropriate parties. Should the ongoing discussions on the abovementioned items be not fruitful, the Parent Company will invite an investor to join them in developing the 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 June 6, 2019, the SEC issued the certificate of incorporation of FYN Green PET Corporation, the wholly-owned subsidiary of the Parent Company. As at June 30, 2020, FYN Green has not started commercial operation and negotiation with the land-owner for the purchase of the land and building that will be used for its business activities and the process of registration with the Bureau of Internal Revenue is still ongoing.

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 of June 30, 2020, the process with the SEC is still ongoing.

As of June 30, 2020, the market research in support of the development plan for the Sta. Rosa property is not yet available. After receiving the market research report, the Parent Company will draft the plan for the development of the said property.

As discussed in Note 11, 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 Chuang Yuan Limited, a company incorporated in Taiwan (see Note 11). On August 27, 2018, Chuang Yuan Limited sold the loan to Malaysia Garment Manufacturers (Pte) Ltd. (Malaysia Garments), a company incorporated in Singapore and a related party (see Note 17). The Parent Company intends to convert the restructured loans and accrued interest payable to equity in the form of additional paid in capital.

As of June 30, 2020, the Parent Company is in the process of revising and collating the required financial restructuring documents for complete submission to the SEC.

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

Authorization for Issuance of the Parent Company Financial Statements

The financial statements of the Parent Company as at and for the years ended December 31, 2019 and 2018 were authorized for issuance by the Parent Company's BOD through the Executive Committee on June 30, 2020.



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

Basis of Preparation

The parent company financial statements have been prepared using the 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 accordance with the 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, 2019. Adoption of these pronouncements did not have any significant impact on the parent company financial position or performance unless, otherwise indicated.

- 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*
- *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 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Standards Interpretation Committee (SIC)-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Parent Company is the lessor.

The Parent Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Parent Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

Upon adoption of PFRS 16, the Parent Company applied a single recognition and measurement approach for leases except for short-term leases and leases of low-value assets.

During the year, the Parent Company has an existing lease agreement as a lessee and elects to apply the short-term recognition exemption for this lease.



- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Parent Company's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the financial statements.

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, 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*

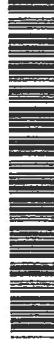
Effective beginning on or after January 1, 2021

- 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, 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.

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 Assets

Initial Recognition and Measurement of Financial Assets

Financial assets are measured at fair value on initial recognition and are subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses (debt instrument) and fair value through profit or loss (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 a financial asset 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 solely for payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not 'solely payments of principal and interest' (SPPI) are classified and measured at FVPL irrespective of business model.

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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding and collect contractual cash flows.

The Parent Company's financial assets are classified as financial assets at amortized cost. As at December 31, 2019, the Parent Company has no financial instruments classified as financial assets and liabilities at FVPL or FVOCI.



Subsequent Measurement of Financial Assets

For purposes of subsequent measurement, financial assets are classified as financial assets at amortized cost (debt instrument), as described below:

Financial Assets at Amortized Cost (Debt Instruments)

The Parent Company measures financial assets at amortized cost if both of 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 SPPI on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

As at December 31, 2019, the Parent Company's financial asset at amortized cost pertains to cash and cash equivalents and refundable deposits under 'prepayments and other current assets' (see Notes 5 and Note 6).

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 expected credit losses (ECLs) for all debt 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 cash and cash equivalents, 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.



For refundable deposits under '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.

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 loans and borrowings and payables, net of directly attributable transactions costs.

The Parent Company's financial liabilities are in the nature of payables. As at December 31, 2019 and 2018, the Parent Company has no financial instruments classified as financial assets and liabilities at FVPL or as derivatives designated as hedging instruments in an effective hedge.



Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities which pertain to loans and borrowings and payables is described below:

Loans and Borrowings and Payables

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, 2019 and 2018, the Parent Company's loans and borrowings and payables pertain to accounts and other payables, restructured loans and loans payable to a stockholder (see Note 10, 11 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

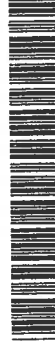
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes 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 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 which has a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 - Valuation techniques which the lowest-level input has a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

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

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

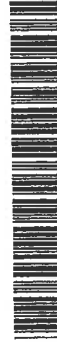
CWTs are amounts withheld from income subject to expanded withholding taxes and certain tax and nontax incentives entitled to the Parent Company under its registration with the BOI. CWTs can be utilized as payments for income taxes, provided that these are properly supported by certificates of creditable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

Subsidiaries	Nature of Business	Percentage of Ownership
Island King Aquaventures Corporation (IKAC)	Leasing	77.08%
SRTC Development Corporation (SRTC)	Under liquidation	56.98%
FYN Green PET Corporation (FYN Green)	Manufacturing	100.00%

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.



A transfer is made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Under the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement of disclosure purposes.

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

Impairment of Nonfinancial Assets

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 (Deficit)

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

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.

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 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

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized in the statements of comprehensive income when these are incurred.

Cost of Services and Operating Expenses

Cost of services consists of costs directly associated with the Parent Company'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 Parent Company. These are generally recognized when the service is incurred or the related expense arises.



Leases (prior to adoption of PFRS 16)

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 - 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 basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating Lease - Company as a 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.

Leases (upon adoption of PFRS 16)

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

Company as Lessor

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

Company as Lessee

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

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



Income Taxes

Current Income Tax

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

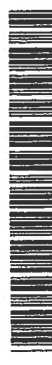
Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax 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 other comprehensive income or equity is recognized in other comprehensive income or equity and not in statement of comprehensive income.



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

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.

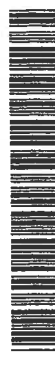
Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

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 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 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).

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting period and adjusted to reflect the amount of best estimate.

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

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

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.

Going Concern

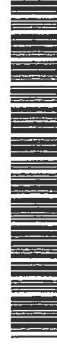
The Management has made an assessment of the Parent Company's ability to continue as a going concern and is satisfied that the Parent Company has the resources to continue its business in the foreseeable future (see Note 1).

Lease Commitments - Company as Lessor (prior and upon adoption of PFRS 16)

The Parent Company has entered into commercial property leases on its investment property. The Parent Company has determined that it retains all the significant risk and rewards of ownership of these properties and accounts for them as operating leases. Rental income amounted to ₱38,697,740 and ₱32,402,256 in 2019 and 2018, respectively (see Note 13).

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 2019 and 2018. The carrying values of investments in and advances to subsidiaries amounted to ₦26,108,800 and nil, net of allowance for impairment losses of ₦153,392,946 as at December 31, 2019 and 2018 (see Note 7).

No provision for impairment losses on investments in associates were recognized in 2019 and 2018. The carrying value of investments in associates amounted to ₦1, net of allowance for impairment losses of ₦2,267,500 as at December 31, 2019 and 2018 (see Note 8).

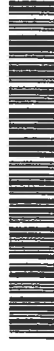
Estimation of Impairment Losses on Investment Properties

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, 2019 and 2018 (see Note 9).

Estimation of Impairment Losses on Nonfinancial Prepayments and Other Current and Noncurrent 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 ₦2,506,120 and ₦11,309,356 as at December 31, 2019 and 2018, respectively (see Note 6).

In 2019, the Parent Company recognized an impairment loss on prepayments and other current assets due to write-off amounting ₦2,499,872.

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 ₦25,698,270 and ₦23,961,361 as at December 31, 2019 and 2018, respectively. Retirement benefit income amounted to ₦84,652 and ₦698,330 in 2019 and 2018, 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 ₦246,489,861 and ₦258,011,035 as at December 31, 2019 and 2018, 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

	2019	2018
Cash on hand	₱35,000	₱35,000
Cash in banks	46,377,020	15,266,474
Short-term investments	2,139,509	21,484,325
	₱48,551,529	₱36,785,799

Interest income earned from cash in banks and short-term investments amounted to ₱135,914 and ₱195,334 in 2019 and 2018, respectively.

The Parent Company has United States Dollar (US\$)-denominated cash in bank amounting to US\$6,663 and US\$6,662 as at December 31, 2019 and 2018, respectively (see Note 18).

Restricted Cash

The Parent Company has a restricted cash in its cash in bank account amounting to ₱25.0 million. The restricted cash is set aside for the operations of the new business activity of FYN Green (see Note 16).

6. Prepayments and Other Current and Noncurrent Assets - net

	2019	2018
CWTs	₱-	₱4,909,765
Prepaid expenses	-	3,172,467
Input VAT	105,989	1,675,703
Advances to officers and employees	744,079	625,620
Refundable Deposits - current	826,165	-
Others	829,887	925,801
	₱2,506,120	₱11,309,356

Prepaid expenses pertain to prepaid taxes and licenses.

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

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

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



Others pertain to receivables from various sources.

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

	2019	2018
Beginning balances	₱133,986	₱110,624
Provision for impairment loss	29,211	23,362
	₱163,197	₱133,986

In 2019, the Parent Company recognized an impairment loss on prepayments and other current assets due to write-off amounting **₱2,499,872**.

As at December 31, 2019 and 2018, details of other noncurrent assets are as follows:

	2019	2018
CWTs	₱58,353,860	₱53,444,095
Refundable deposits	-	826,165
Others	-	89,050
Less allowance for impairment losses on CWTs - noncurrent	58,353,860	54,359,310
	58,353,860	53,444,095
	₱-	₱915,215

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

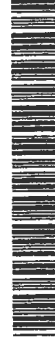
Movements in allowance for impairment losses on CWTs – noncurrent are as follows:

	2019	2018
Beginning balances	₱53,444,095	₱53,444,095
Provision for impairment loss	4,909,765	-
	₱58,353,860	₱53,444,095

Provision for impairment losses on CWTs pertains to the unclaimed portion of the total CWTs that can no longer be claimed.

7. Investments in and Advances to Subsidiaries - net

	2019	2018
Investments in subsidiaries		
Acquisition costs:		
IKAC	₱48,243,130	₱48,243,130
FYN Green	25,000,000	-
SRTC	19,247,202	19,247,202
	92,490,332	67,490,332
Advances to subsidiaries (Note 16)	87,011,414	85,902,614
	179,501,746	153,392,946
Less allowance for impairment losses	153,392,946	153,392,946
	₱26,108,800	₱-



Details to the amounts are as follows:

- a. An allowance for impairment losses on investments in and advances to subsidiaries was provided because these investees, IKAC and SRTC, have negative net worth and have suspended their operations.
- b. 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.
- 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, 2019 and 2018 (see Note 16).
- d. 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.
- e. During the year, the Parent Company invested in the wholly owned subsidiary, FYN Green PET Corporation, to carry out the business activity for recycling PET within the Philippine Economic Zone Authority amounting to ₱25,000,000. Also, advances to subsidiary were made amounting to ₱1,108,000 (see Note 16). On June 6, 2019, the SEC issued the certificate of incorporation of the wholly owned subsidiary of the Parent Company.

As at December 31, 2019 and 2018 the parent company's subsidiaries are as follows:

Subsidiaries	Nature of Business	Percentage of Ownership
Island King Aquaventures Corporation (IKAC)	Leasing	77.08%
SRTC Development Corporation (SRTC)	Under liquidation	56.98%
FYN Green PET Corporation (FYN Green)	Manufacturing	100.00%

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

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

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



8. Investments in Associates - net

Investment in associates amounted to ₱1, net of allowance for impairment losses amounting to ₱2,267,500, as at December 31, 2019 and 2018. 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 Lefilton Trading.

9. Investment Properties - at deemed cost

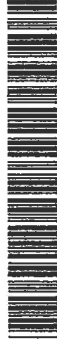
The disclosure below shows the information of investment properties carried at cost as at December 31, 2019 and 2018. These parcels of land were previously used as the location of the Parent Company's manufacturing plant. However, due to the Parent Company's cessation of its manufacturing operations as discussed in Note 1, the Parent Company currently holds the land as investment properties.

- i. 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.
- ii. 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, 2019 and 2018, 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 December 31, 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 and fair value of parcels of lands as of December 31, 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	₱1,500,090,000	Price per sq. m.	300,018 sq. m.	₱5,000 per sq. m.
Gen. Mariano Alvarez	148,612,147	244,074,000	Price per sq. m.	162,716 sq. m.	₱1,500 per sq. m.
	₱898,657,147	₱1,744,164,000			

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 ₱38,697,740 and ₱32,402,256 in 2019 and 2018, respectively (see Note 13a). Direct operating expenses which are composed mainly of real property taxes and repairs and maintenance amounted to ₱4,102,776 and ₱4,198,366 in 2019 and 2018, 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 2019 and 2018.

10. Accounts and Other Payables

	2019	2018
Accounts payable	₱542,606	₱1,259,994
Accrued interest	441,497,182	423,147,592
Nontrade payables	7,028,266	7,592,222
Customer's deposits	3,764,277	2,018,906
Government payables	408,577	3,807,845
Others	967,554	1,266,211
	₱454,208,462	₱439,092,770

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 pertains to interest payable of the Parent Company from its outstanding loans and are payable on demand. Accrued interest on the above loans amounted to ₱441,497,182 and ₱424,299,510 as at December 31, 2019 and 2018, respectively, out of which interest amounting to ₱388,183,656 will form part of the restructured loans subject to financial restructuring.

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

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



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

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

11. Restructured Loans

As at December 31, 2019 and 2018, 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. In recognition of the financial condition of the Parent Company, the creditors agreed to stop the accruing of interest on the second MTI. The first MTI, however, shall continue to earn interest.

On December 14, 1998, the Parent Company entered into an Agreement with its bank creditors and a supplier (collectively known as "creditors") wherein the Parent Company agreed to execute a second MTI to secure the payment of its overdue and outstanding drafts and acceptances payable, liabilities under trust receipts and loans (reclassified to debts secured by second MTI) to avoid impending litigations and in consideration of the creditors agreeing to cease accruing interest on those debts after April 30, 1998. The second MTI covers some of the properties included in the first MTI and certain investment properties.

The Agreement provides that the creditors have the option to sell the Parent Company's land in Sta. Rosa, Laguna in a private sale (without the need of prior consent of the Parent Company but with the prior consent of the first mortgagees) within three years from the date of the Agreement at a price not less than the amount indicated in the Agreement. The Agreement further provides that during its effectivity, the first mortgagees shall continue to enjoy their right to foreclose the said properties. The proceeds of the private sale or foreclosure shall first be applied to the payment of debts secured by the first MTI and thereafter to the payment of debts secured by the second MTI. The Parent Company shall be liable for any deficiency in the event that the debts are not fully paid after the private sale or foreclosure of the properties. Should the private sale not take place within the stipulated three-year period, the creditors and the Parent Company shall appoint an independent appraiser to determine the price at which the land may be sold.

The Agreement also provides that the Parent Company assigns in favor of the creditors its shares of stock in SRTC as an additional security for the payment of the debts secured by the second MTI (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.

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 (see Note 1). As of June 15, 2020, the process for the amendment of the AOI of the Parent Company, subject to the approval of the SEC, to implement the financial restructuring is still on going.

12. Capital Stock

The Parent Company's capital stock as at December 31, 2019 and 2018 is set out below:

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

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



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

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

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

a) Amendment of the Seventh Article of the Parent Company's AOI to reflect the following:

- i. Reduction of par value from ₱5.00 per share to ₱2.50 per share
 - ii. Creation of Preferred Shares with the following features:
 - Pre-Emptive Right – Right to subscribe to the same proportion of shares in case of issuance of new shares
 - Preference in Distribution of Dividends – Right to receive fixed dividends (5% of total debt converted), cumulative dividends and right to receive profit-participating stocks
 - Veto Right – Right to veto the development of Sta. Rosa property such that the development project of said land must be approved by Preferred shareholders
 - Exercise of voting right – The Preferred shareholders shall not have a right to vote, except on matter specific in Section Six of the Corporation Code of the Philippines and those relative to the development of Sta. Rosa Property and
 - Convertible to Common Shares – Right to convert preferred shares to common shares using 16.78:1 conversion ratio at ₱2.50 per share
 - iii. Reclassification of 33,426,498 Common Shares (Class B) to Preferred Shares
- b) Conversion of debt to equity (see Note 10)

The financial restructuring includes the conversion of restructured loans and related accrued interest to equity in the form of additional paid in capital (see Note 1). As of December 31, 2019, the process for the amendment of the AOI of the Parent Company, subject to the approval of the SEC, to implement the financial restructuring is still on going.

13. Lease Agreements

a. Parent Company as Lessor

On February 7, 2007, the Parent Company has an existing lease agreement 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 ₱38,697,740 and ₱32,402,256 in 2019 and 2018, respectively.



b. Parent Company as Lessee

On December 16, 2009, 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. In December 2019, the contract was renewed for another one year commencing on January 1, 2020 to December 31, 2020 with no rent escalation.

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

	2019	2018
Within one year	₱1,307,526	₱1,185,953
After one year but not more than five years	—	—
	₱1,307,526	₱1,185,953

The Parent Company entered into lease agreement with a lessor for the rental of office space, parking lots and office equipment. The Parent Company applies the 'short-term lease' recognition exemptions for these leases.

Total rental expense pertaining to these rentals amounted to ₱926,659 and ₱1,394,142 in 2019 and 2018, respectively (see Note 14).

14. Costs and Expenses

	2019	2018
Taxes and licenses	₱5,427,534	₱4,952,527
Impairment losses on prepayments and other current and noncurrent assets (Note 6)	7,409,637	—
Security services	4,352,407	4,298,134
Professional fees	3,713,744	3,610,673
Contractual laborer	2,425,207	2,544,405
Salaries and wages	1,171,390	1,015,978
Employee benefits	981,731	1,212,111
Transportation and travel	968,129	328,811
Entertainment, amusement and recreation	934,206	881,604
Rentals (Note 13)	926,659	1,394,142
Utilities	535,520	173,453
Repairs and maintenance	361,732	483,054
Others	45,626	2,194,699
	₱29,253,522	₱23,089,591

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



15. Income Taxes

- a. The provision for current income tax represents regular corporate income tax in 2019 and 2018.
- b. 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:

	2019	2018
Tax at statutory income tax rate	(P869,771)	(P4,899,613)
Add (deduct) tax effects of:		
Nondeductible expenses	6,511,533	5,786,866
Movement in unrecognized deferred tax assets	(438,417)	2,379,702
Interest income already subjected to final tax	(40,774)	(58,600)
	P5,162,571	P3,208,355

- 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.

	2019	2018
<i>Profit or loss</i>		
Allowance for impairment losses on:		
Investments in and advances to subsidiaries and associates	P155,660,446	P155,660,446
Other noncurrent assets	-	92,904
Unrealized foreign exchange losses	90,829,415	96,636,613
Retirement plan assets	-	5,057,116
Accrued rent	-	563,956
	P246,489,861	P258,011,035

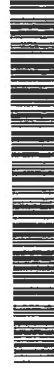
- d. The components of recognized deferred tax liabilities as at December 31, 2019 and 2018 are as follows:

	2019	2018
Investment properties	P132,773,397	P68,330,533
Retirement plan assets	7,709,481	8,705,544
	P140,482,878	P77,036,077

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

The additional deferred tax liability amounting to P64,442,864 is recognized in other comprehensive income and subsequently closed to deficit similar to how the revaluation increment in the investment property was initially recognized in 2005.

- e. As at December 31, 2019 and 2018, the Parent Company has no NOLCO and excess MCIT.
- f. The Parent Company did not avail of the optional standard deduction in 2019 and 2018.



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				
2019	P-	P151,920,000	(a)	Unsecured and
2018	P-	P157,740,000		unguaranteed
FYN Green				
Due to a related party				
2019	P25,000,000	P25,000,000	(b)	Unsecured and
2018	P-	P-		unguaranteed
<i>Stockholder</i>				
Malaysia Garment				
Restructured loans (Note 11)				
2019	P-	P930,132,682	(c)	Secured by first
2018	P930,132,682	P930,132,682		and second MTIs
<i>Subsidiary</i>				
IKAC				
Investments in and advances to subsidiaries - net (Note 7)				
2019	P-	P85,902,614	(d)	Impaired
2018	P-	P85,902,614		
<i>Subsidiary</i>				
FYN Green				
2019	P1,108,800	P1,108,800	(e)	Unsecured and
2018	P-	P-		unguaranteed

- The Parent Company has availed of working capital US\$-denominated loan payable amounting to US\$3 million from Trans-Pacific, a major stockholder, with fixed interest rate. In 2001, there was a modification in the agreement of the parties, the modified terms include non-accrual on interest beginning that year. The loan is already due and demandable. Payment of interest, amounting to P950,000 and P1,000,000, were made in 2019 and 2018, respectively. There were no availments nor were payments of the principal loan in 2019 and 2018.



- b. In 2019, the Parent Company has an outstanding liability due to related party, FYN Green PET Corporation, amounting to ₱ 25,000,000 which are payable in cash and on demand. The liability does not bear an interest.
- c. 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 (see Note 11).

Accrued interest on the above loans amounted to ₱418,875,851 and ₱400,143,878 as at December 31, 2019 and 2018, respectively, out of which interest amounting to ₱388,183,656 will form part of the restructured loans subject to financial restructuring.
- d. In September 2018, the BOD approved a financial restructuring plan that includes the conversion of restructured loans to equity.
- e. 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, 2019 and 2018 (see Note 7). During 2019, these advances made to subsidiary, IKAC, were impaired.
- f. In 2019, the Parent Company granted advances to FYN Green amounting to ₱1,108,800 to supplement the start of its commercial operations which are payable upon operations.

Compensation of Key Management Personnel

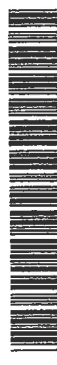
The Parent Company considered all employees holding managerial positions up to president as key management personnel. Compensation of key management personnel, which consist of short-term and employee benefits, amounted to ₱892,820 and ₱835,842 in 2019 and 2018 respectively.

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, 2019 and 2018.

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 December 31, 2019 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:

	2019	2018
Present value of obligation (PVO)	₱3,448,449	₱3,363,898
Fair value of plan assets	(29,146,719)	(27,325,259)
	(₱25,698,270)	(₱23,961,361)

Movements in the retirement plan assets are as follows:

	2019	2018
Beginning balances	(₱23,961,361)	(₱24,224,038)
Retirement benefit income	84,652	(698,330)
Actuarial losses on plan assets	(1,821,561)	961,007
Ending balances	(₱25,698,270)	(₱23,961,361)

Movements in the retirement benefit income are as follows:

	2019	2018
Current service cost	₱84,652	₱86,529
Net interest income on benefit obligation and plan assets	-	(784,859)
	₱84,652	(₱698,330)

Retirement benefit income is presented in under 'Finance income (charges)' in the parent company statements of comprehensive income.

Changes in PVO are as follows:

	2019	2018
Beginning balances	₱3,363,898	₱3,246,950
Current service cost	84,652	86,529
Interest cost on benefit obligation	-	50,513
Actuarial losses (gains) on obligation:		
Experience adjustments	73,137	(20,094)
Changes in demographic assumptions	(73,238)	-
Ending balances	₱3,448,449	₱3,363,898

Changes in FVPA are as follows:

	2019	2018
Beginning balances	₱27,325,259	₱27,470,988
Interest income on plan assets	-	835,372
Actual return on plan assets	1,821,460	(981,101)
Benefits paid	-	-
Ending balances	₱29,146,719	₱27,325,259



The main categories of plan assets as a percentage of the fair value of total plan assets follow:

	2019		2018	
Cash	₱1,493,637	5.08%	₱1,472,489	5.39%
Investments	27,607,054	93.96%	25,735,527	94.18%
Accrued income receivable	90,740	1.11%	158,892	0.58%
Other payables	(44,712)	(0.15%)	(41,650)	(0.15%)
	₱29,146,719	100%	₱27,325,258	100%

The principal assumptions used in determining retirement obligations for the Parent Company's plan is shown below:

	2019	2018
Discount rate	3.23%	3.23%
Salary increase rate	1.00%	1.00%

The overall expected rate of return of plan asset is based on the market prices prevailing on that date, applicable to the period over which the liability is settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement plan asset as of the end of the reporting date, assuming if all other assumptions were held constant:

	Increase (Decrease)		2019	2018
Discount rates	+100 basis points		₱3,426,555	₱3,342,575
	-100 basis points		3,470,705	3,267,745
Salary increase rates	+100 basis points		₱3,482,592	₱3,297,098
	-100 basis points		3,414,306	3,214,802

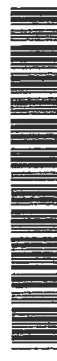
As at December 31, 2019 and 2018 the Parent Company's plan asset is in a funded status. Consequently, the Parent Company does not expect to make any contribution to its retirement plan in 2019.

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

	2019	2018
Less than one year		
More than one year to five years	₱3,582,725	₱3,496,158
	₱3,582,725	₱3,496,158

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 ₱25,698,270 and ₱23,961,361 as at December 31, 2019 and 2018, respectively. There were no any other transactions between the Parent Company and the retirement fund trustee.



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 Parent Company is exposed to credit risk principally from its cash in banks and cash equivalents and refundable deposits. In addition, the balances of cash in banks and cash equivalents and refundable deposits are monitored on an ongoing basis so that the 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, 2019, 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.

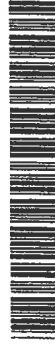
The table below shows the maximum exposure to credit risk for the Parent Company's financial assets, without taking into account any collateral and other credit enhancements as at December 31, 2019 and 2018.

	2019	2018
Cash and cash equivalents:		
Cash in banks	₱46,377,020	₱15,266,474
Cash equivalents	2,139,509	21,484,325
Refundable deposits	826,165	826,165
	<u>₱49,342,694</u>	<u>₱37,576,964</u>

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) Refundable deposits 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 Parent Company 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, 2019 and 2018 which are all due and demandable:

2019	On Demand	Within one Year	Over one Year	Total
<i>Financial liabilities</i>				
Accounts and other payables	₱453,799,885	₱-	₱-	₱453,799,885
Restructured loans	930,132,682	-	-	930,132,682
Loans payable to a stockholder	151,920,000	-	-	151,920,000
	₱1,535,852,567	₱-	₱-	₱1,535,852,567
2018	On Demand	Within one Year	Over one Year	Total
<i>Financial liabilities</i>				
Accounts and other payables	₱435,284,925	₱-	₱-	₱435,284,925
Restructured loans	930,132,682	-	-	930,132,682
Loans payable to a stockholder	157,740,000	-	-	157,740,000
	₱1,523,157,607	₱-	₱-	₱1,523,157,607

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 Parent Company 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 Parent Company's foreign currency-denominated financial asset and liability as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	USD	Peso Equivalent	USD	Peso Equivalent
<i>Financial Asset</i>				
Cash in bank	\$6,663	₱337,414	\$6,662	₱350,288
<i>Financial Liability</i>				
Loans payable to a stockholder	(3,000,000)	(151,920,000)	(3,000,000)	(157,740,000)
Net financial liability	(\$2,993,337)	(₱151,582,586)	(\$2,993,338)	(₱157,389,712)

As at December 31, 2019 and 2018, the exchange rates of the Philippine peso to the US\$ are ₱50.64 and ₱52.58 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, 2019 and 2018 is as follows:

	Change in foreign exchange rate	Effect in loss before income tax
2019	+0.61	(₱1,825,936)
	-0.63	1,885,802
2018	+0.71	(₱2,125,271)
	-0.66	1,975,604

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, 2019 and 2018. The Parent Company has no to externally imposed capital requirement.

The Parent Company considers its common shares as capital. As at December 31, 2019 and 2018, the Parent Company's capital is composed of common shares amounting to ₱1,031,230,905 (see Note 12).

As at June 30, 2020, 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.



Refundable Deposits

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

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 and the effect of discounting the instrument is not material.

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 and the effect of discounting the instrument is not material.

Investment Property

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

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. Events after the End of Reporting Period

Subsequent event – COVID-19 outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020 and a modified enhanced community quarantine (MECQ) throughout Metro Manila and other provinces until May 31, 2020. On June 1, 2020, Metro Manila and other provinces exited MECQ and transitioned to general community quarantine (GCQ) until June 15, 2020 which was subsequently extended until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The imposition of the enhanced community quarantine resulted to the temporary cessation of the business activities of the Company and will continue until it is lifted by the government.

The Parent Company considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, it could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.

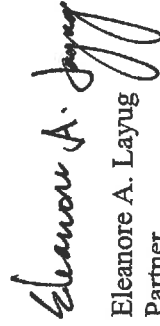


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug
Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-2 (Group A),
February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 8125246, January 7, 2020, Makati City

June 30, 2020

