



September 21, 2021

Gentlemen:

Pursuant to our telephone discussion, you granted us the privilege to make an emergency posting, via email, of our SEC Form 20-IS Preliminary (Information Statement) in order meet the deadline which is September 21, 2021.

Please find attached herewith such SEC Form 20-IS Preliminary (Information Statement) We hope that this submission can be considered enough compliance.

Respectfully yours,

A handwritten signature in dark ink, appearing to read "N. Romulo", with a stylized flourish at the end.

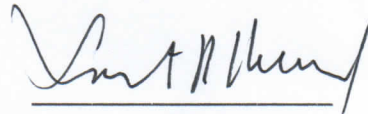
Atty. Nestor S. Romulo
Corporate Secretary/System Administrator

Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings & Equities Corp., with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corp., I have caused this Preliminary Information Statement (PIS) SEC Form IS-20 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Metro Alliance Holdings & Equities Corp., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this SEP 20 2021 day of _____, 2021.



Affiant

TIN: 136-012-428

SUBSCRIBED AND SWORN to before me this SEP 20 2021 day of _____, 2021.

MANDALUYONG CITY

Doc No. 204
Page No. 12
Book No. 88
Series of 2021.

NOTARY PUBLIC
ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
APPT. NO. 0442-21
Until 12/31, 2022
IBP No. 134105 Dec. 9, 2020 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 until 4/14/2022
TIN No. 116-239-956
PTR No. 4574511 01/04/2021
Tel. No. (02) 854-523-2
Rm. 314 J&B Bldg., 251 EDSA,
Mandaluyong City

COVER SHEET

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SEC Registration No.

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E	Q	U	I	T	I	E	S		C	O	R	P.		&		S	U	B	S	I	D	I	A	R	I	E	S		

(Company's Full Name)

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D	O	N	A		J	U	L	I	A		V	A	R	G	A	S		C	O	R.		M	E	R	A	L	C	O	
A	V	E.		O	R	T	I	G	A	S		C	E	N	T	E	R,		P	A	S	I	G		C	I	T	Y	

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

Atty. Nestor S. Romulo																													
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Contact Person

(632) 706-7888/706-5982																													
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Contact Telephone No./Fax No.

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3	1
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P	R	E	L	I	M	I	N	A	R	Y

Any day in May

Fiscal Year

FORM TYPE

Month Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

789

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

STAMPS																													
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20-IS Preliminary Report: MAHEC																													
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NOTICE OF STOCKHOLDERS' MEETING

Please be informed that the ANNUAL MEETING OF STOCKHOLDERS shall be held on October 28, 2021, Thursday, at 2:00 p.m. In light of the COVID-19 pandemic, the meeting will be conducted virtually via secure online meeting. The Order of Business shall be:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on October 29, 2020
4. Report of the President
5. Presentation and approval of the Annual Financial Statements 2020
6. Ratifications of the actions and proceedings taken by the Board of Directors and Corporate Officers since October 29, 2020
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other business
10. Adjournment

As fixed by the Board of Directors, stockholders of record date as of September 30, 2021 shall be entitled to notice of, and vote at, said stockholders' meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from October 1 to 28, 2021.

PARTICIPATION ONLY VIA REMOTE COMMUNICATION. Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the meeting by notifying the Corporation by email at metroalliance.ASM@gmail.com not later than October 11, 2021 (at 5:00pm) and shall first submit a copy of proof of identity, ownership or other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable. Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2020 ASM must cast their votes on or before October 21, 2021 (at 5:00pm).

VOTES MAY CAST ONLY THROUGH ONLINE CASTING OF VOTES/PROXIES ON OR BEFORE October 21, 2021 (at 5:00pm). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

The full details of the registration and voting procedures will be available on the Company's website, www.metroalliance.com/annualstockholdersmeeting.html, on September 29, 2021. For more information regarding the Annual Meeting of Stockholders, please email at metroalliance.ASM@gmail.com.

WE ARE NOT SOLICITING YOUR PROXY.

Pasig City, Philippines, September 15, 2021


Atty. Nestor S. Romulo
Corporate Secretary

35th Flr. One Corporate Center Dona Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City,
Phils. 1605; Trunkline (02) 8706-7888 * Fax No. (02) 8706-5982

BALLOT / PROXY FORM

Please mark as applicable:

☐ **Vote By Ballot:** The undersigned stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** (the "Company") casts his/her vote on the agenda items for the Annual Meeting of Stockholders on **October 28, 2021**.

☐ **Vote By Proxy:** The undersigned stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** (the "Company"), do hereby constitutes and appoints _____, or in his/her absence, the Chairman of the meeting, as attorney in-fact and proxy, with the power of substitution, to represent and vote upon _____ shares registered in the name of undersigned stockholder, at the Annual Meeting of Stockholders on **October 28, 2021** and any of its adjournment(s). If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 9, and a "FOR" vote for proposals 1 through 8.*

ITEM NO.	SUBJECT MATTER	ACTION		
		Yes	No	Abstain
3	• Approval of Minutes Previous Meeting held on October 29, 2020			
5	• Approval of Annual Financial Statements as of December 31, 2020			
6	• Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.			
7	• Election of Directors *All nominees listed below Elvira A. Ting Kenneth T. Gatchalian Lamberto B. Mercado, Jr. Reno I. Magadia Nestor S. Romulo Byoung Hyun Suh (Independent Director) Aristeo R. Cruz (Independent Director) <i>Note: To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i>	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
8	• Appointment of Valdez Abad & Associates CPAs. as external auditor for 2021			
9	• At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the Meeting.			

Signed this _____ day of _____ 2021.

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/
NAME AND SIGNATURE OR AUTHORIZED REPRESENTATIVE

*THIS BALLOT/PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE OCTOBER 21, 2021. KINDLY EMAIL TO **METROALLIANCE.ASM@GMAIL.COM**.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANYTIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
☒ Preliminary Information Statement
☐ Definitive Information Statement
2. Name of Registrant as specified in its charter:
Metro Alliance Holdings & Equities Corp.
3. **Philippines**
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **296**
5. BIR Tax Identification Code: **000-130-411**
6. **35th Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave.,** **1605**
Ortigas Center, Pasig City
 Address of principal office Postal Code
7. Registrant's telephone number, including area code: **(632) 8706-7888**
8. **October 28, 2021, Thursday, via remote communication**
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **October 1, 2021**
10. In case of Proxy Solicitations:
 Name of Person Filing the Statement/Solicitor: **Not applicable**
 Address and Telephone No.: **Not applicable**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	₱ 753,010,773
12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes ☒ No ☐
 If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange
All Common Class A and Class B

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

(a) Annual Stockholders' Meeting will be held on:

Date: October 28, 2021, Thursday

Time: 2:00 pm

Place: Via remote communication

Complete mailing address of the principal office of the corporation:

35th Flr. One Corporate Centre, Doña Julia Vargas Avenue, cor. Meralco Ave., Ortigas Center, Pasig City, 1605

(b) As stated in the first page of the information statement, the approximate date on which copies of the information statement are first to be sent or given to security holders is on **October 1, 2021**.

Item 2. Dissenters' Right of Appraisal

Instances of appraisal right of dissenters with respect to any matter to be acted upon provided in Section 80 of the Revised Corporation Code of the Philippines:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (c) In case of merger or consolidation; and
- (d) In case of Investment of corporate funds for any purpose other than the primary purpose of the corporation.

In instances wherein the stockholder has voted against a proposed corporate action, the statutory procedures required to be followed by dissenting security holders in order to perfect such rights are, as follows:

- (a) The dissenting stockholder shall make a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action;
- (b) If, within (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by (3) disinterested persons one of whom shall be named by the stockholder, another by the corporation, and the third by the (2) thus chosen. Then findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation;

There are no matters or proposed corporate actions to be taken up during the annual stockholders meeting which may give rise to a possible exercise by security holders of their appraisal right under Section 80 of the Revised Corporation Code of the Philippines.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No person who has been a director, officer, nominee for election as a director or associate of any director, officer or nominee of the corporation since the beginning of the last fiscal, has any

substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any matter to be acted upon, other than election to office.

- (b) No director of the registrant has informed the registrant in writing that he intends to oppose any action to be taken by the corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Class of voting shares as of August 31, 2021:

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares – Class A		
Filipino	183,670,970	One (1) vote each
Foreigner	2,500	One (1) vote each
Total	<u>183,673,470</u>	
Common Shares – Class B		
Filipino	61,958,222	One (1) vote each
Foreigner	60,490,757	One (1) vote each
Total	<u>122,448,979</u>	
Total Outstanding Shares	<u><u>306,122,449</u></u>	

- (b) All stockholders as of record date September 30, 2021 are entitled to notice and to vote at the annual stockholders' meeting.
- (c) The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised Corporation Code. The holders of common stock (Class A and Class B) are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management (Information required by Part IV paragraph (C) of "Annex C" to the extent known by the persons on whose behalf the solicitation is made).

1. Security Ownership of Certain Record and Beneficial Owners

As of August 31, 2021, the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

Title of Class	Name, address of Record owner and Relationship with issuer	Name of Beneficial Owner* and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common Shares – Class A 43,096,501 Class B 30,725,833	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City	PCD Participants and their clients**	Filipino	73,822,334	24.115%
Common Shares – Class B	Creston Global Limited c/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City	Perlie Alpuerto – Authorized signatory (Designated representative)	British	56,378,388	18.417%

Common Shares – Class A	Chesa Holdings, Inc. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Yolly C. Fernandez Corporate Secretary (Designated representative)	Filipino	40,500,000	13.230%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Babelyn R. Mantos Corporate Secretary (Designated representative)	Filipino	31,498,000	10.289%
Common Shares – Class A 16,376,856 Class B 13,432,644	Forum Holdings Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Ellen T. Balunsat Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.106%
Common Shares – Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Lauraine San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.172%

* Person designated to exercise investment power over the equity

** The clients of each company have the power to decide how their shares are to be voted. Natural persons authorized to vote the shares of PCD Nominee cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

2. Security Ownership of Management

As of August 31, 2021 the security ownership of individual directors, executive officers and nominees of the Corporation is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Elvira A. Ting	98 / Direct	Filipino	0.000
Common–Class A	Kenneth T. Gatchalian	100 / Direct	Filipino	0.000
Common–Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common–Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Aristeo R. Cruz	100 / Direct	Filipino	0.000
Common–Class B	Byoung Hyun Suh	1 / Direct	Korean	0.000
Common–Class A	James B. Palit-Ang *	1 / Direct	Filipino	0.000
	Richard L. Ricardo *	–	Filipino	0.000
	Annabelle T. Abunda	–	Filipino	0.000
Total		402		0.000

* The Company reported last March 29, 2021 that the position of James B. Palit-Ang as Treasurer became vacant due to his death. In April 14, 2021, the Board of Directors elected Richard L. Ricardo as the newly elected Treasurer of the Company.

3. Voting Trust Holders of 5% or More – There are no voting trust holders of 5% or more.

4. Changes in Control – There are no change in control of the corporation and there is no arrangement which may result in change of control.

(e) No change in control of the corporation has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

If action is to be taken with respect to the election of directors, furnish the following information in tabular form, to the extent practicable.

A. Information required by Part IV, paragraphs (A), (D) (1) and (D) (3) of “Annex C”**(1) Directors, including Independent Directors, and Executive Officers****a. Names, ages, citizenship, and position and office of all directors and executive officers**

Name	Age	Citizenship	Position and Office
Elvira A. Ting	60	Filipino	Chairman of the Board /Director
Kenneth T. Gatchalian	45	Filipino	President/Director
Lamberto B. Mercado, Jr.	56	Filipino	Director
Reno I. Magadia	51	Filipino	Director
Aristeo R. Cruz	55	Filipino	Independent Director
Nestor S. Romulo	76	Filipino	Director/Corporate Secretary
Byoung Hyun Suh	64	Korean	Independent Director
James B. Palit-Ang *	56	Filipino	Corporate Treasurer
Richard L. Ricardo *	58	Filipino	Elected Treasurer/Vice President for External Affairs
Annabelle T. Abunda	45	Filipino	Finance Head

* The Company reported last March 29, 2021 that the position of Treasurer became vacant due to the demise of James B. Palit-Ang. In April 14, 2021, the Board of Directors elected Richard L. Ricardo as the newly elected Treasurer of the Company.

b. Term of Office as a Director

The Directors of the Corporation are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Thus, the term of office of each director is one year, until the Board of Directors at its first meeting following the Meeting of Stockholders has elected their successors annually. Their respective terms of office are until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected or shall have qualified.

c. Business experience during the past five (5) years and other directorships

	Company	Position
Elvira A. Ting Chairman of the Board Filipino 60 years old BS in Business Administration Major in Management <i>Philippine School of Business Administration</i>	Wellex Industries, Inc. Philippine Estates Corporation Waterfront Philippines, Inc. Acesite (Hotels) Phils., Inc. Forum Pacific, Inc The Wellex Group, Inc. Recovery Development Corp. Orient Pacific Corporation Rexlon Realty Group, Inc. Pacific Rehouse Corporation Westland Pacific Properties Corporation Crisanta Realty Devt. Corp. Heritage Pacific Corporation Palawan Estate Corporation Seabrook Resources & Dev't Corp Poly Premier Property Devt. Corp. Wanda Prime Property Dev't Inc. Bocau Prime Estate Corporation Bulacan Fortune Land Dev't Corp. Waterfront Manila Premier Devt., Inc. Taguig Lake City Development Corp. Country Garden Agri-Tourism Devt. Inc. Alliance Energy Power & Devt. Corp. Plastic City Industrial Corp.	Vice President/Director President/CEO/Director Corp. Treasurer/Director Corp. Treasurer/Director President/Director Corp. Treasurer/Director Corp. Treasurer/Director Chairman/Director Chairman/President/Director Corp. Treasurer/Director Asst. Corp. Sec./Director Chairman/President/Director Chairman/President/Director Asst. Corp. Sec./Director Corp. Secretary/Director Corp. Treasurer/Director President/ Director President/ Director Chairman/President/Director Corp. Secretary/Director President/ Director Corp. Treasurer/Director Corp. Secretary/Director Corp. Treasurer/Director
Kenneth T. Gatchalian President/Director Filipino 45 years old BS in Architecture University of Texas, USA	The Wellex Group, Inc. Wellex Industries, Inc. Waterfront Philippines, Inc. Forum Pacific, Inc Acesite (Hotels) Phils., Inc.	President/Director President/Director President/Director Corp Treasurer/Director President/Director

	Philippine Estates Corporation Bulacan Country Garden Devt. Corp. Bulacan Harbour Development Corp. Waterfront Manila Premier Devt., Inc. North Luzon Premier Development Corp. Wanda Prime Property Dev't Inc. Poly Premier Property Devt. Corp. Manila Bay Front Hotels, Inc. Seabrook Resources and Dev't Corp Southernpec Philippines Inc. Wellex Mining Corporation Philfoods Asia, Inc. Philippine International Airways Wellex Petroleum, Inc. Crisanta Realty Development Corp. Westland Pacific Properties Corporation Pacific Rehouse Corporation Orient Pacific Corporation Novateknika Land Corp. Westland Pacific Properties Corporation Recovery Development Corp. Palawan Estate Corp.	Vice Chairman/Director Chairman/President/Director Asst. Corp. Sec./Director President/Director Chairman/Director Chairman/Director President/Director Chairman/Director Chairman/President/Director Corp. Treasurer/Director Chairman/President/Director Chairman/President/Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Corp. Treasurer/Director Chairman/President/Director President/Director Corp. Secretary/Director Corp. Treasurer/Director Chairman/President/Director Corp. Secretary/Director
Atty. Lamberto B. Mercado, Jr. Director/Compliance Officer Filipino 56 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University</i> School of Law	Forum Pacific, Inc CPDSI, AHI and FEZ Wanda Prime Property Dev't, Inc. Waterfront Philippines, Inc. Philippine National Construction Corp Rexlon Realty Group, Inc. Wellex Mining Corporation Acesite (Hotels) Phils., Inc. Southernpec Philippines Inc. Dubai Gold Mining Corporation Seabrook Resources & Dev't Corp Sands Mining & Development Corp. Bulacan Harbour Development Corp. Wellex Industries, Inc. Bulacan Country Garden Devt. Corp.	Director Director Director Director Director Asst. Cop. Sec./Director Corp. Secretary/Director Chief Risk Officer/Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Director Corp. Secretary/Director Director Director
Reno I. Magadia Director Filipino 51 years old BA in TV and Radio Broadcasting <i>California State University</i> Master's Degree – Business Administration <i>Pepperdine University</i> Los Angeles, California	Metro Combined Logistics Solution, Inc. Misons Industrial & Development Corp. Waterfront Philippines, Inc.	Managing Director Director Director
Aristeo R. Cruz Independent Director Filipino 55 years old CPA Lawyer BS in Commerce Major in Accountancy <i>De La Salle University</i> Bachelor of Laws (LLB) <i>New Era University</i>	Meycauayan College, Inc Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office Liberty Bank (A Rural Bank), Inc. Idealland Realty & Dev't Corp. Philstar Innovation Realty Corp. Statosphere Realty & Dev't Corp. Jose & Luz Locsin Foundation Justino Emilia Realty and Management	Vice-Chairman/Director Dean, College Department Founding and Managing Partner Vice-President/Compiler President and Chief Operating Officer (COO) Director/Corp Secretary President and Chief Operating Officer (COO) President Corporate Secretary

	& Dev't Corp. Waterstreet Realty Corp. Forum Pacific, Inc. Acesite Phils Hotel Corp. Waterfront Phils, Inc. Wellex Industries, Inc.	President Independent Director - Nominee Director Independent Director Independent Director - Nominee
Nestor S. Romulo Corp. Secretary/Director Filipino 76 years old Lawyer Bachelor of Laws (LLB) <i>University of the Philippines</i>	Westmont Investment Corp. Wincorp Securities Misons Industrial & Development Corp Romulo, Serrano & Camello Law Offices JMP Development, Inc. Reyno, Tiu, Domingo & Santos Law Offices JP Consultancy Resources & Management, Inc. Zuellig Distributors, Inc. Asia Healthcare, Inc. FEZ-EAC Holdings, Inc.	Chairman of the Board Director Corporate Secretary Partner Corporate Secretary Consultant Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary
Byoung Hyun Suh Independent Director Korean 64 years old BS in Business Administration <i>Korea University, Seoul Korea</i>	Pan Islands, Inc. Philippines Estates Corporation Overseas Korean Traders Associations Bonamis Pharmacy Phil's. Corp.	President Independent Director President President
Richard L. Ricardo Treasurer/Vice-President for External Affairs Filipino 58 years old BS in Business Management AB in Economics <i>Ateneo de Manila University</i>	Wellex Industries, Inc. Waterfront Philippines, Inc. Acesite (Phils.) Hotel Corporation Philippine Estates Corporation Forum Pacific, Inc. The Wellex Group, Inc. Rexlon Realty Group, Inc. Westland Pacific Properties Corp. Wellex Petroleum, Inc. Wellex Mining Corporation Bocaue Prime Estate Corporation Taguig Lake City Development Corp Dubai Gold Mining Corp Sands Mining Corp Shangrila Global Estate Ventures Corp Bulacan Country Garden Dev't. Corp. Alliance Energy Power & Dev't. Inc.	Corp. Treasurer/Investor Relations Officer/Director Corporate Affairs Officer/ Compliance Officer Vice President for Corporate Affairs/Compliance Officer Corp. Treasurer/Director Director/Investor Relations Officer Corporate Secretary/Director Vice President/Director Corporate Secretary/Director Corp. Treasurer/Director Assist. Corp. Sec./Director Corporate Secretary/Director Corporate Secretary/Director Chairman/President Corp. Treasurer/Director Corp. Secretary/Director Corporate Secretary/Director President/Director
Annabelle T. Abunda Finance Head Filipino 45 years old CPA and Licensed Real Estate Broker BS in Accountancy <i>University of the Philippines in the Visayas</i>	Forum Pacific, Inc. Wellex Industries, Inc. Pacific Wide Holdings, Inc. Pacific Rehouse Corporation	Compliance Officer Compliance Officer Accounting Manager Finance and Administration Manager

Nominees for Election as Members of the Board of Directors, including the Independent Directors

The following are expected to be nominated to the Board of Directors of the Corporation for the ensuring year:

- | | |
|------------------------------|--|
| (1) Elvira A. Ting | (5) Reno I. Magadia |
| (2) Kenneth T. Gatchalian | (6) Byoung Hyun Suh – Independent Director |
| (3) Lamberto B. Mercado, Jr. | (7) Aristeo R. Cruz – Independent director |
| (4) Nestor S. Romulo | |

The aforementioned nominees are all incumbent directors. All nominees in the final list were pre-screened by the Nomination Committee and their qualifications are presented on the previous pages. The independent directors, Mr. Aristeo R. Cruz will be serving his 7th term as independent director while Mr. Byoung Hyun Suh, will be serving his 6th term as independent director when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto (Please refer to pages 21 and 22). None of the candidates for independent directors of the Corporation are related to Metro Alliance Holdings & Equities Corp.

A summary of the nominees' qualifications is presented in the preceding paragraph. Ms. Elvira A. Ting is the nominating person and he has no relationships with these nominees.

The members of the Nomination Committee are the following:

1. Lamberto B. Mercado, Jr. – Chairman
2. Aristeo R. Cruz– Member
3. Nestor S. Romulo – Member

(2) Significant Employees

Other than its current officers mentioned in the preceding subsection, the Corporation has not engaged the services of any person who is expected to make significant contribution to the business of the Corporation.

(3) Family Relationships

Ms. Elvira A. Ting, the Chairman/Director, is Mr. Kenneth T. Gatchalian's aunt, the President/Director. There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers other than the above.

(4) Involvement in Certain Legal Proceedings

For the past five (5) years up to August 31, 2021, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past five (5) years up to August 31, 2021, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past five (5) years up to August 31, 2021, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past (5) years up to August 31, 2021 the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

The Corporation, as represented by the Board of Directors, is involved or has been involved in certain legal proceedings as follows (*please refer to page 53 to 55*) of this report for the detailed discussion of each case):

- 1) Metro Alliance vs Commissioner of Internal Revenue
 - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991.
 - As of the date of this report, Metro Alliance has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.
- 2) Metro Alliance and Philippine Estate Corporation (PHES) vs Philippine Trust Company, et. al.,
 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
 - In 2020, the Parent Company already acknowledged the obligation to PHES, which was due and demandable
- 3) Metro Alliance, Polymax Worldwide Ltd & Wellex vs Phil. Veterans Bank (PVB), et.al.
 - Civil Action with Damages to Nullify the Foreclosure of Property
 - The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350M loan obtained by the Plaintiffs.
 - The case was consolidated with other case of affiliated company with the same RTC. The consolidated case is now on appeal in the Court of Appeals.
- 4) Metro Alliance, Polymax Worldwide Ltd vs NPC International Ltd, et al.
 - Civil Case filed by the Plaintiffs against the Defendants before the Regional Trial Court of Pasig City, Branch 159, Civil Case No. R-PSG 19-02106CV, For: Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
 - On December 18, 2020, the plaintiffs have filed their Comment through their legal representative. To date, the Parent Company has not received any order of Execution relative to this case.
- 5) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its position has legal merits and the resolution thereof will not materially affect the Parent Company's financial position and results of operations.

Certain Relationships and Related Transactions

The Group, in the normal course of business, has transactions with related parties. The following table summarizes the transactions with related parties for the year ended December 31, 2020 and 2019. Please refer to Note 27 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

c. Compensation of key management personnel follows:

Particulars	2020	2019	2018
Short-term employee benefits	₱10,691,978	₱18,191,466	₱18,398,157
Retirement benefits	—	—	—
Total	₱10,691,978	₱18,191,466	₱18,398,157

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective entity's retirement plan.

The related amounts applicable to the Group's transactions with related parties are as follows:

Particulars	Amount of Transactions		Outstanding	
	Increase (Decrease)		Receivable (Payable)	
	2020	2019	2020	2019
Advances (Asset Held for Sale)				
Polymax (special purpose entity)	₱210,889,007	(₱2,634,110)	₱577,074,835	₱366,185,828
Due from Related Parties				
<i>Operating subsidiary</i>				
MCLSI	—	10	18,934	18,934
<i>Entity under common control</i>				
The Wellex Group, Inc.	(201)	—	5,258,409	5,258,610
Others	—	—	31,373	31,373
	(201)	10	5,308,716	5,308,917
Due to Related Parties				
<i>Entities under common control</i>				
Acesite (Phils.) Hotel Corporation	—	—	5,627,202	5,627,202
Wellex Mining Corp.	—	—	—	—
The Wellex Group, Inc.	(52,876,888)	—	—	52,876,888
Philippine Estate Corp.	268,260,352	—	268,260,352	—
<i>Other related parties</i>				
Stockholders	—	—	—	—
Others	26,756	206,979	681,213	654,257
	215,410,220	206,979	274,568,767	59,158,547

Ownership Structure and Parent Company

Metro Alliance Holdings & Equities Corp. (MAHEC), the Parent Company, wholly owns three (3) companies: Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc. (FEZ-EAC) and Zuellig Distributors, Inc. (ZDI), all have ceased operations. MAHEC owns 60% of Asia Healthcare, Inc. (AHI), the pharmaceutical arm of the Group and also have ceased operations. Lastly, MAHEC owns 51% of Metro Combined Logistics Solutions, Inc. (MCLI; formerly GAC Logistics, Inc.), the contract logistics arm and the only operating subsidiary of the Group.

Resignation of Directors Due to Disagreement

There are no directors who resigned or decline to stand for re-election because of disagreement.

Terms of Office

The Directors of MAHEC are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

All officers, except executive officers, shall be elected by the Board of Directors at its first meeting following their election. Every officer so elected shall be subject to removal at any time by the Board of Directors but all officers, unless removed, shall hold office until their successors are duly elected and qualified.

The executive officers shall hold office either by appointment of the Board of Directors or upon contract of employment with the Corporation approved by the Board of Directors.

The members of the Executive Committee are the following:

1. Elvira A. Ting – Chairman
2. Lamberto B. Mercado, Jr. – Member
3. Nestor S. Romulo – Member

Item 6. Compensation of Directors and Executive Officers

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2021. As

observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position resulting from the trading suspension from PSE and subsidiaries that have ceased operations.

Summary Compensation Table – Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Elvira A. Ting Chairman of the Board	2021 est	-	-	-
	2020	-	-	-
	2019	-	-	-
Kenneth T. Gatchalian President	2021 est	-	-	-
	2020	-	-	-
	2019	-	-	-
James B. Palit-Ang / Richard L. Ricardo Treasurer	2021 est	-	-	-
	2020	-	-	-
	2019	-	-	-
Nestor S. Romulo Corporate Secretary and Legal Counsel	2021 est	-	-	300,000
	2020	-	-	300,000
	2019	-	-	300,000
Aristeo R. Cruz Byoung Hyun Suh Independent Directors	2021 est	-	-	20,000
	2020	-	-	20,000
	2019	-	-	20,000
All directors and Officers as a Group unnamed	2021 est	-	-	-
	2020	-	-	-
	2019	-	-	340,000

The Compensation Committee prescribed only the above compensation for the specified officers and directors. The members of Compensation Committee are the following:

1. Kenneth T. Gatchalian – Chairman
2. Reno I. Magadia – Member
3. Aristeo R. Cruz – Member

(1) Standard Arrangement

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in special meetings, there is no standard arrangement with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

(2) Other Arrangement

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year, for any service provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no employment contract and termination of employment and change-in-control arrangement with the directors and executive officers.

(4) Warrants and Options Outstanding: Repricing

There are no warrants and options outstanding held by the Corporation's CEO, executive officers and all officers and directors as a group. There is no repricing made.

Item 7. Independent Public Accountants

- (a) Valdes, Abad & Associates, CPAs (VAA), upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Aristeo R. Cruz as Chairman and Mr. Lamberto B. Mercado, Jr. and Mr. Kenneth T. Gatchalian as members, is the external auditors of the Company for the year 2020. Said firm will be recommended to the stockholders for election as the Company's principal external auditors for the year 2021. The selection of external auditors is made on the basis of credibility, professional reputation and accreditation with the Securities and Exchange Commission. The professional fees of the external auditors are approved by the Company after the approval by the stockholders of the engagement and prior to the commencement of each audit season.

- (b) In Compliance with SRC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors) and as adopted by the Company, the external auditors or engagement partners are rotated every five years or earlier. The Corporation has engaged Ms. Felicidad A. Abad of Valdes Abad & Associates for years 2011-2012, 2014-2016. Lead engagement partner for calendar year 2017-2020 is Mr. Alfonso L. Cay-an of Valdes Abad & Associates and was recommended again for 2021.
- (c) Representatives of the principal auditors for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are likewise expected to be available to respond to appropriate questions.

(d) **External Audit Fees and Services**

Audit and related fees of Valdes Abad & Associates for Metro Alliance for expressing an opinion on the financial statements and assistance in preparing the annual income tax return includes Audit fee of 330,000.00, out of pocket expenses of 33,000.00, VAT of 43,560.00 and Tax fees of NIL for both 2020 and 2019. No other service was provided by external auditors to the company for the calendar year 2020.

- (e) **Changes in and Disagreement with Accountants on Accounting and Financial Disclosure during the corporation's two most recent fiscal years or any subsequent interim period.**

- (1) Valdes Abad & Associates who is the Corporation's principal accountant for the most recent fiscal year and the current year has not resigned (or indicated it has declined to stand for re-election after the completion of the current audit) nor was it dismissed.
- (2) No new independent accountant has been engaged as either the principal accountant to audit the registrant's financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary, notwithstanding any previous disclosure.
- (3) There is no change in the auditing firm or handling partner in the two most recent calendar years and in the interim period. There are no changes and disagreements with accountants on accounting and financial disclosure.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed. There are no stock options, warrants or rights plan or any other type of compensation plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

Metro Alliance Holdings and Equities Corp has no plans yet to increase its authorized capital stock.

Item 10. Modification or Exchange of Securities

Metro Alliance Holdings and Equities Corp has no plans yet to modify any of each authorized and issued securities or to exchange then to another class

Item 11. Financial and Other Information

Audited Financial Statements as of December 31, 2020, Management's Discussion and Analysis and Market Price of Shares and other data related to the Company's financial information are attached thereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken with respect to any transactions involving the following: (1) the merger or consolidation of the Corporation into or with any other entity; (2) the acquisition by the Corporation or any of its stockholders of securities of another person or entity; (3) the acquisition by the Corporation of any other going business or of the assets thereof; (4) the sale or other transfer of all or any substantial part of the assets of the Corporation; and (5) the liquidation or dissolution of the Corporation.

Item 13. Acquisition or Disposition of Property

There is no action to be taken with respect to any material acquisition or disposition of any property of the Corporation.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS**Item 15. Action with Respect to Reports**

- (a) The Annual Report and Audited Financial Statements for the year ended December 31, 2020 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the Corporation's performance during the previous fiscal year as contained therein.
- (b) Minutes of the Annual Stockholders' Meeting held last October 29, 2020 will also be presented to the stockholders for approval by a majority vote of the stockholders.
- (c) Ratification of the Corporate Acts of the Board of Directors and Executive Officers since October 29, 2020 by a majority vote of the stockholders.
- (f) Election of the members of the Board of Directors for the ensuring year
- (g) Appointment of External Auditor by a majority vote of the stockholders.

Below is a summary of the Corporate Acts of the Board of Directors and Executive Officers subject to ratification of the stockholders:

September 16, 2020

Setting the date of Annual Stockholder's Meeting through remote communication on October 29, 2020 at 2pm due to COVID-10 pandemic. The Board also set September 30, 2020 as the record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

The Board also approved the designation of Atty. Lamberto Mercado, Jr. as the proxy for the Company in the stockholders meeting of Metro Combined Logistics Solutions, Inc.

The Board approved the designation of James Palit-Ang as the authorized signatory for purposes of filing pleadings in the Arbitration case filed by NPC International Ltd. before the Permanent Court of Arbitration.

October 29, 2020

The Corporation submitted the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held last October 29, 2020 through remote communication.

The Board approved the disposal of the following company subsidiaries: Asia Healthcare, Inc. (With a pending petition for insolvency filed in 2002 in RTC Pasig); FEZ-EAC Holdings, Inc. and Consumer Products Distributions Services, Inc. (With a pending case with BIR).

Authorized the Chairman, Elvira A. Ting as the authorized signatory to sign the sale documents for and on behalf of the Company.

The Board of Directors approved to donate, as co-donors with Wellex Industries, Inc. and Forum Pacific, Inc., to the LGU of Ternate, Cavite, one brand new ambulance for Covid response. Authorized the Chairman, Elvira A. Ting as the authorized signatory to sign the Deed of Donation.

November 27, 2020

The Board approved to authorize Carmelita E. Elegio and Jason Boado to transact with the Bureau of Internal Revenue.

December 23, 2020

The Corporation approved to designate an official and alternate email addresses and mobile numbers of the Corporation in Compliance with SEC Memorandum Circular No. 28 series of 2020.

Also approved to authorize Kenneth T. Gatchalian, to sign and execute any and all amendments, addendum or extension of the Promissory Note in favor of Philippines Estates Corp.

The Corporation authorized the following accounting adjustment entries in the books:

- a. Offset the Company's collectibles from Polymax, in the amount of P52,876,888.04 with the Company's payable to The Wellex Group Inc., by giving due notice to both parties;
- b. Charge the Gratuity/Separation Pay of two (2) employees in the amount of P297,241.00 to Accrued Retirement Benefit account;
- c. Write-off the remaining accrued retirement benefits in the amount of P672,444.00, since, there are no longer any active employees.

March 15, 2021

The Board approved to designate Annabelle T. Abunda, Finance Manager of the Corporation, to represent the Corporation and act for it in the submission of reportorial requirements with the SEC through Online Submission Tool.

March 29, 2021

The Corporation reported that the position of Treasurer became vacant due to the demise of Mr. James B. Palit-Ang.

April 14, 2021

The Corporation approved and authorized the issuance of Parent and Consolidated Audited Financial Statements for the year ended December 31, 2020.

It also reported that Mr. Richard L. Ricardo has been elected as Treasurer of the Company to replace Mr. James B. Palit-Ang.

May 14, 2021

The postponement of the Company's Annual Stockholders' Meeting is due to the lockdown which prevented the preparation of all the needed materials and documents.

June 11, 2021

The Board approved the engagement of JEPHTE S. DALIVA LAW OFFICE, or any of its lawyers, with office address at Unit 3A19 Grand Central Residences, 298 EDSA cor. Sultan St., Mandaluyong City, as counsel of the Corporation, in the case of Philippine Veterans Bank, Petitioner versus Metro Alliance Holdings & Equities Corp. et. al. G.R. No. 220770 pending before the Supreme Court.

The Board approved also the designation of Elvira A. Ting to represent the Corporation, with full and special power and authority to do and perform on behalf of the Corporation whatever act she may deem necessary, including but not limited to causing the preparation and filing of pleadings, motions and other papers, verifying the allegations therein, executing the affidavits or sworn statements, giving testimonies, and making certifications against forum shopping in the case of Philippine Veterans Bank, Petitioner versus Metro Alliance Holdings & Equities Corp. et. al. G.R. No. 220770 pending before the Supreme Court.

September 15, 2021

Setting the date of Annual Stockholder's Meeting through remote communication on October 28, 2021 at 2pm due to COVID-10 pandemic. The Board also set September 30, 2021 as the record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. Amendment of Charter, By-Laws or Other Documents

Except for the amendment of the Article III of the Articles of Incorporation, amendments of which was approved by the Securities and Exchange Commission last March 14, 2016, as approved by more than 2/3 of the outstanding capital stock of the Corporation on 2014 annual stockholders' meeting, there are no amendments made to the Corporation's charter and by-laws for the year 2015 and as of the date of this report.

Item 18. Other Proposed Action

As of this report, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

Item 19. Voting Procedures

An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of 1) Minutes of the Previous Stockholders' Meeting 2) Financial Statements 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation as reflected in the minutes 4) Appointment of External Auditor.

The holders of a majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in person or by proxy, shall constitute a quorum for the transaction of business.

The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditors, Valdes Abad & Associates and Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under the proxies.

Due to COVID-19 Global Pandemic, the Board of Directors of Metro Alliance Holdings & Equities Corp. has decided to conduct the annual stockholders' meeting via remote communication (Zoom Application). Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the meeting by notifying the Corporation by email at ***metroalliance.ASM@gmail.com*** not later than October 11, 2020 (at 5:00P.M.) and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable.

Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2021 Annual Stockholders' Meeting must cast their votes on or before October 21, 2021 (at 5:00pm). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers. Registered stockholders and confirmed proxies will receive the meeting link and password. Only stockholders who notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies will be included in the determination of quorum.

The full details of the registration and voting procedures will be available on the Company's website, www.metroalliance.com/annualstockholdersmeeting.html, on September 29, 2021.

We are not soliciting proxies.

PART II.

INFORMATION REQUIRED IN A PROXY FORM
(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

NOT APPLICABLE

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on September 15, 2021

Metro Alliance Holdings & Equities Corp.

By:


Atty. Nestor S. Romulo
Corporate Secretary

Upon the written request of the stockholder, the Corporation undertakes to furnish said stockholder a copy of the SEC Form 17-A free of charge. Any written request for a copy of the SEC Form 17-A shall be addressed as follows:

Atty. Nestor S. Romulo
Corporate Secretary
Metro Alliance Holdings & Equities Corp.
35th Flr., One Corporate Center,
Dona Julia Vargas cor. Meralco Ave.,
Ortigas Center, Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

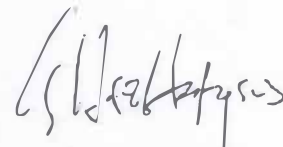
I, **Byoung Hyun Suh**, Korean, of legal age and a resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since 2016.
2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Pan Islands, Inc.	President	February 1995 - present
World OKTA (Overseas Korean Traders Association) Federation	Director	November 2004 - present
Bonamis Pharmacy Phil's. Corp.	President	October 2011 to Present
Philippines Estates Corporation	Independent Director	2016 - present

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Metro Alliance Holdings & Equities Corp.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **Metro Alliance Holdings & Equities Corp.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Metro Alliance Holdings & Equities Corp.** of any changes in the abovementioned information within five days from its occurrence.

Done, this **SEP 09 2021** day, at **PASIG CITY**.



BYOUNG HYUN SUH
Affiant

SUBSCRIBED AND SWORN to before me this **SEP 09 2021** day of **PASIG CITY**, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 122-963-522 issued at Bureau of Internal Revenue.

Doc. No. **384**;
Page No. **18**;
Book No. **20**;
Series of 2021;



ATTY. LIEZEL C. BERNARDO
Notary Public for the Cities of Pasig &
San Juan & Municipality of Pateros
Until 12.31.22/Appt. No. 114 (2021-2022).
35th Floor One Corporate Center
Doña Julia Vargas corner Meralco Ave.,
Ortigas Center, Pasig City, Metro Manila
Roll No. 69716/IBP No. 121881/01.04.21/Pasig City
MCLE Compliance No. VI-0018219/02.06.19/Pasig City
PTR No. 9834378/01.07.21/Manila City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Aristeo R. Cruz**, Filipino, of legal age and a resident of No. 4 Malhacan Road, Meycauayan City, Bulacan, after having been duly sworn to in accordance with law do hereby declare that;

- I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since September 2015.
- I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Meycauayan College, Inc.	Vice Chairman/Director Dean, College Department	December 2011 – present November 2007 – present
Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office)	Founding and Managing Partner	July 2007 – present
Liberty Bank (A Rural Bank), Inc.	Vice President/Compiler	July 2018 - present
Idealland Realty & Development Corp	President and Chief Operating Officer (COO)	November 2009 – present
Philstar Innovation Realty Corp	Director and Corp Secretary	October 2011 – present
Statosphere Realty & Development Corp	President and Chief Operating Officer (COO)	October 2011 – present
Jose & Luz Locsin Foundation	President	November 2012 – present
Justino Emilia Realty and Management & Dev't Corp	Corporate Secretary	March 2008 – present
Waterstreet Realty Corp	President	June 2012 – present
Acesite Phils Hotel Corp	Director	July 2021 – present
Waterfront Philippines, Inc.	Independent Director	July 2021 - present
Wellex Industries, Inc.	Independent Director - nominee	2021
Forum Pacific, Inc.	Independent Director - nominee	2021

- I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Metro Alliance Holdings & Equities Corp.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
- I am not related to any director/officer/substantial shareholder of **Metro Alliance Holdings & Equities Corp.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation code.
- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of **Metro Alliance Holdings & Equities Corp.** of any changes in the abovementioned information within five days from its occurrence.

Done, this **SEP 16 2021** day _____, at **PASIG CITY**


ARISTEO R. CRUZ
Affiant

SUBSCRIBED AND SWORN to before me this **SEP 16 2021** day of _____ at **PASIG CITY** affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 108-672-299 issued at Bureau of Internal Revenue

Doc. No. 961
Page No. 94
Book No. 11222222
Series of 2021.


EDWINA S. CONDAYA
NOTARY PUBLIC
PASIG PATEROS & SAN JUAN
EXTENDED UP TO DEC. 31, 2021
PTR NO. 7187109/1-2-2021
IBP NO. 0560331/APP. NO.54 2019/2020
ROLL NO. 26623
MCLE V. 000493
2ND FLOOR ARMALL BLDG. URBANO
YEL-1770 AVE, MALINAO, PASIG CITY

CERTIFICATION

I, NESTOR S. ROMULO, of legal age and with office address at Unit 202 20th Flr. Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, after being duly sworn to in accordance with law, do hereby certify:

I am the Corporate Secretary of METRO ALLIANCE HOLDINGS & EQUITIES CORP. (the "Company"), a corporation organized and existing under Philippine laws with principal office at 35th Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City (the "Corporation").

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality, except for Lamberto B. Mercado, Jr. Attached herewith is a copy of his consent letter for your reference.

I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this SEP 16 2021 in the City of Pasig.


NESTOR S. ROMULO
Corporate Secretary

SEP 16 2021

Subscribed and sworn to before me this _____ of _____ 2021, in PASIG CITY affiant exhibiting to me his Tax Identification Number. 107-200-723-000 issued by the Bureau of Internal Revenue.

Doc. No. 409
Page No. 89
Book No. 10088-VII
Series of 2021.


EDWINA S. CONDAYA
NOTARY PUBLIC
PASIG-PATEROS & SAN JUAN
EXTENDED UP TO DEC. 31, 2021
PTR NO. 7187109/1-2-2021
IBP NO. 0360331/A/P. NO. 54 2019/2020
ROLL NO. 26683
MCLE V. 000493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE, MALINAO, PASIG CITY



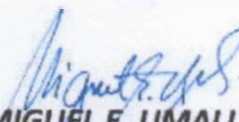
**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

CERTIFICATION

TO WHOM IT MAY CONCERN:

This is to certify that **ATTY. LAMBERTO B. MERCADO, JR.** is hereby allowed/authorized to occupy membership in the Board of Directors of other corporations provided such memberships do not conflict with his official function as member of the PNCC Board of Directors.

Done this 5th day of July 2021 in Bicutan, Paranaque City.


MIGUEL E. UMALI
President and CEO

METRO ALLIANCE HOLDINGS & EQUITIES CORP.
MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2021

Item 1. Business

A. Description of Business

(1) Business Development

Metro Alliance Holdings & Equities Corp. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have cease operations.

The Parent Company was first incorporated in October 15, 1929 as a management and trading company called Marsman & Company, Inc. (Marsman). Marsman was listed on the Philippine Stock Exchange (the ‘Exchange’) in 1947. The Parent Company changed its name to Metro Alliance Holdings & Equities Corp. as approved by the stockholders on the annual meeting on April 6, 1999 and subsequently approved by Securities and Exchange Commission on October 11, 1999.

The new registered office address of the Parent Company is at 35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City last November 2010. Amendment of Articles of Incorporation was approved by the Securities and Exchange Commission last March 14, 2016.

In 2015, the SEC approved the amendment made to Article III of the Group’s Articles of Incorporation in regard to the change of Company’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation specifically, Article Ninth to declassify common shares class A and B shares resulting to one common shares and also Article Sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. The amendment is pending for SEC approval.

Status of Operation

The Group and Polymax Worldwide Limited (Polymax), its unconsolidated special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which, in 2016, resulted in a disputed sale of Polymax’s 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax’s 60% interest in the petrochemical plant.

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2020. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC’s remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of

medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Manpower Requirements

The Group does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

COVID-19 Impact

The Group's management has also considered the consequences of COVID-19 and other events and made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue their business for the foreseeable future. The impact of COVID-19 on future performance and on the measurement of some assets and liabilities might be significant and might therefore require disclosure in the financial statements, but the management has determined that they do not create a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7million, consisting of the outstanding principal balance of ₱378.3million and finance charges of ₱488.4million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met. On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8million shares of common stock of NPCA with a total par value of ₱4.8billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI. On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon. On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law

Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

Business Development of the Subsidiaries:

Metro Combined Logistics Solutions, Inc. (MCLSI) (Formerly GAC Logistics, Inc. (GACL)

MCLSI is 51% owned by MAHEC, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI was registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the business of contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

Non-operating Subsidiaries:

Consumer Products Distribution Services, Inc. (CPDSI) is a wholly owned subsidiary of Metro Alliance. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). In November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Corporation in November 11, 2002. It was incorporated in February 3, 1994. It ceased operations at the end of 2001 following the expiration of the third party logistics contract of its subsidiary with Phillip Morris Philippines, Inc.

Zuellig Distributors, Inc. is a wholly owned subsidiary of the Corporation. It ceased operations in June 30, 1999 following the expiration of its exclusive distribution agreement with its single principal. It was incorporated in October 18, 1985.

Asia Healthcare, Inc. is 60% owned by the Corporation. AHI was first incorporated in July 2, 1918. In August 2000, the Corporation invested in AHI. However, in 2002, it ceased operations due to heavy losses. The low volume and minimal margin on the sales of pharmaceutical products have not been sufficient to cover the costs of the services and products provided by AHI. Consequently, AHI was constrained to terminate contracts with its clients and cease its business operations. On December 17, 2002, AHI filed a voluntary petition for insolvency with the Pasig City Regional Trial Court (RTC). On February 27, 2003, the Pasig City RTC declared AHI as insolvent.

Bankruptcy, receivership and similar proceedings

Except for AHI which filed for insolvency in December 2002, Metro Alliance and its subsidiaries are not involved in any bankruptcy, receivership or similar proceeding.

Material reclassification, merger consolidation or purchase

There is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Business of Metro Alliance

Description of Registrant

(i) Principal products and services

Metro Alliance is a publicly listed holding company with investments in shares of stock of other listed companies and investment in subsidiary involved in contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines.

Principal products or services of its subsidiaries:

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies. Revenue contribution of each principal for the year 2020 is as follows:

PRINCIPAL	SERVICE INCOME	% to TOTAL
Zuellig Pharma Corp.	77,903,736.88	28.50%
Mitsubishi Motors Philippines Corp.	22,385,644.18	8.20%
Johnson & Johnson (Phils.), Inc.	26,180,176.67	9.60%
Nutri Asia, Inc	59,828,154.97	21.90%
SC Johnson and Son Inc	8,437,095.23	3.10%
Sysu International Inc	7,553,131.99	2.80%
EL Laboratories Inc	8,258,663.58	3.00%
Philippine Gadgets and Accessories	5,420,400.12	2.00%
Interphil Laboratories Inc	17,071,467.35	6.20%
Alaska Milk Corporation	3,835,711.27	1.40%
Brenntag Ingredients, Inc	4,465,982.22	1.60%
Bonflex Packaging Corp	2,894,179.30	1.10%
3M Philippines Inc	7,177,492.12	2.60%
Miles and Levels Philippines Inc	2,620,442.21	1.00%
Others	19,637,827.69	7.20%
TOTAL	273,670,105.78	100%

(ii) Export sales

Metro Alliance and its subsidiaries are not engaged in export sales.

(iii) Distribution Methods of the Products

The core of MCLSI contract logistics services is warehouse and transport management. It leases dedicated warehouses or operates warehouses leased/owned by its principals and contracts dedicated personnel to manage its warehouses. Its principal's products are shipped mostly in four and six-wheeler closed van through a shipping and cargo services company.

(iv) Publicly announced new product or service.

Metro Alliance and its subsidiaries have no publicly-announced product or service.

(v) Competition

MCLSI's main competitors include IDS Logistics, DHL-Exel, Shenker, Fast Services, Agility (formerly Geologistics) and Air 21. The quality of MCLSI's services compared to their competitors is extremely difficult to determine. However, the fact that MCLSI has been able to secure new contracts with new principals as well additional contracts with existing principals is indicative that service levels are satisfactory.

(vi) Sources and availability of raw materials and principal supplier

Since the Company ceased to have control or have sold its interest in MVC, which involves in the manufacturing of chemicals which are widely used in household applications, there are no sources and availability of raw materials and principal supplier to be disclosed.

(vii) Dependence on one or few major customers

Metro Alliance and its subsidiaries are not dependent on any one industry, company or customer. However, the Zuellig Pharma Group's accounts is 20% or more of the total sales of MCLSI.

(viii) Transactions with and/or dependence on related parties

Metro Alliance has significant transactions with related parties which include the granting and availment of interest and non-interest bearing cash advances. Transactions with and/or dependence on related parties is discussed in detail in Item 12, Certain Relationships and Related Transactions, of this report.

(ix) Patent, trademark, copyright, franchise, concession or royalty agreement

Metro Alliance and its subsidiaries are not covered with any patent, trademark, copyright, franchise, concession or royalty agreement.

(x) Government approval of principal products or services

There is no need for any government approval on principal products of Metro Alliance and its subsidiaries.

(xi) Effect of existing or probable governmental regulations on the business

There are no existing or probable governmental regulations that will affect the business of Metro Alliance and its remaining operating subsidiary, MCLSI.

(xii) Estimate of the amount spent during each of the last three calendar years on research and development activities

There are no such activities in Metro Alliance and its other subsidiaries.

(xiii) Costs and effects of compliance with environmental laws

Metro Alliance has secured the required permits and clearances from the Health Sanitary Department of the City Government of Pasig to comply with the applicable environmental regulations. A strict compliance with other environmental agencies such as DENR is no longer required since Metro Alliance ceased to have control or have sold its interest MVC, which has manufacturing facilities for producing chemicals.

(xiv) Total Number of Full Time-Employees (as of December 31, 2020):

Metro Alliance

Metro Alliance has two (2) regular employees: one (1) administrative managerial employee and one (1) administrative executive employee. No CBA. There has been no strike or any similar threat for the last 3 years. Except for 14th month and 15th month bonuses and conversion of unused sick leaves, there are no other supplemental and incentive arrangements with its employees. In June 2020, the two (2) regular employees received their final paychecks, and as at December 31, 2020, there were no full-time regular employee in the Company.

MCLSI

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	438	24	4	466
Administrative	18	5	6	29
Total	456	29	10	495

No Collective Bargaining Agreement (CBA). There has been no strike or similar threat within the last three (3) years. There are no supplemental and incentive arrangements with its employees. The number of employees will be increased only upon entry of new principals.

(xv) Major Risks

Metro Alliance

Capital availability, access to credit and high borrowing rates. Negotiations with local and foreign investors, both banking and non-banking institutions are currently being pursued.

Metro Alliance's financial instruments consist of cash, advances to or from affiliates, loans and long-term debt. The carrying amounts of these financial instruments, which are currently due and demandable, approximate their respective fair values as of balance sheet date. The main risk arising from Metro Alliance's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of the risks.

Interest rate risk

Metro Alliance exposure to the risk for changes in the market interest rates relates to its loan payable and long term debt, which principally bear floating interest rates.

Credit risk

It is Metro Alliance's policy to require all concerned affiliates and /or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. Metro Alliance deals only with legitimate parties. As to other financial assets of Metro Alliance like cash, the credit risk arises only in case if default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

Liquidity risk

Metro Alliance objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, Metro Alliance access to funds has been limited to those of its related parties in the form of advances. Current

working capital requirements will continue to be sourced from short-term loans and advances from related parties.

MCLSI

During the negotiation stage, budgets and performance standards are defined, discussed and agreed with the principal. All costs and expenses are passed on to the principal. The principal advances the total budgeted cost and expenses at the beginning of the month making the operation sufficiently liquid. Excess cash reverts back to the principal and any overspending by MCLSI is normally discussed, supported and reimbursed.

MCLSI's financial instruments consist of cash, receivables, accounts payables and obligations under finance lease. It is, and has been throughout the year under review, MCLSI's policy that no trading in financial instruments shall be undertaken. The main risk arising from MCLSI's financial instruments are credit risk and liquidity risk. MCLSI's board of directors reviews and approves policies for managing these risks.

Item 2. Properties

A. Description of Property

Metro Alliance

The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and was renewed thrice until April 30, 2022 with adjustments in the rental rates as agreed by the parties, if any. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT.

MCLSI

- a) During the year, MCLSI renewed the lease for its office space. The term is (1) year commenced in February 1, 2020, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱71,150.
- b) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on April 14, 2014. The contract was renewed thrice and valid until April 15, 2022 with monthly rental of ₱400,860.00. Rental deposits paid is equivalent to three months' rental following the terms and conditions.
- c) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at Warehouse 3, 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on November 3, 2015 until November 2, 2018. The contract further renewed until November 2, 2021 with a monthly rental fees of ₱326,340.00 with 5% escalation starting November 3, 2019. Rental deposits paid is equivalent to three months' rental following the terms and conditions.
- d) MCLSI entered into another lease contract for warehouse, and parking and open space located at Warehouse 4, 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 12, 2015. The contract further renewed until October 11, 2021 with a monthly rental fees of ₱345,555.00 with 5% escalation starting October 12, 2019. Rental deposits paid is equivalent to three months' rental following the terms and conditions.
- e) MCLSI entered into a lease contract for a warehouse, and parking and open space located at Warehouse 2, 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 16, 2016. The contract further renewed until October 15, 2024 with a monthly rental fees of ₱393,000.00 with 3% escalation every year starting October 16, 2020. Rental deposits paid is equivalent to three months' rental following the terms and conditions.
- f) MCLSI entered into a lease contract for a warehouse, and parking and open space located at Warehouse 1, 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term commenced on November 7, 2016 to November 6, 2019. The contract further renewed until November 6, 2024 with a monthly rental fees of ₱375,400.00 with 3% escalation every year starting November 7, 2020. Rental deposits paid is equivalent to three months' rental following to the terms and conditions.
- g) MCLSI entered into a lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm

and open area of 1,045 sqm. The lease term commenced on March 1, 2016 to February 29, 2019. The contract further renewed until February 28, 2022 with a monthly rental fees of ₱442,255.00 with 5% escalation starting March 1, 2021. Rental deposits paid is equivalent to two months' rental following the terms and conditions.

- h) MCLSI entered into a lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term commenced on November 26, 2016 to November 25, 2019. The contract further renewed for a year until November 20, 2020 and agreed later on to renew again the contract for another 2 years until November 20, 2022 with monthly rental payments of ₱644,127.60 with an escalation of 10% starting on the second year. Rental deposits paid equivalent to three months' rental and three months' security deposit adjustment that will start on the second year.
- i) MCLSI entered into a lease contract for a warehouse at Pangutlan Road, Tayud, Consolacion, Cebu with a covered area of 450 sqm. The lease term commenced on November 1, 2018 to October 31, 2021 with monthly rental payments of ₱81,000.00 with an escalation of 5% starting on the second year. Security deposits paid is equivalent to four months' rental following to the terms and conditions.
- j) MCLSI entered into a lease contract for a warehouse at Pangutlan Road, Tayud, Consolacion, Cebu with a covered area of 520 sqm. The lease term commenced on November 1, 2018 to October 31, 2021 with monthly rental payments of ₱93,600 with an escalation of 5% starting on the second year. Security deposits paid is equivalent to four months' rental following to the terms and conditions.
- k) MCLSI entered into a lease contract for a warehouse and office building located at Warehouse #1 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on May 15, 2019 until May 14, 2021 with a monthly rental fees of ₱172,800.00. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions. The term of the contract of lease is renewable commencing on May 15, 2021 upon 60 days' prior written request of the Lessee.
- l) MCLSI entered into a new lease contract for a warehouse located at 232 Quirino Highway, Baesa, Quezon City with an area of 1,532 sqm. The lease term commenced on March 1, 2020 to February 28, 2021 and renewal is subject for negotiations. Security deposits paid is equivalent to four months' rental following to the terms and conditions.

MCLSI owns and operates trucks as follows:

Model	Series	Body Type	Year Model
Isuzu	Elf	Aluminum Van Truck	2003
Isuzu	Elf	Reefer Van Truck	2001
Mitsubishi	L300 Delux c/c	FB Body	2017
Mitsubishi	L300 Delux c/c	FB Body	2017

MCLSI also leases warehouse equipment. Lease term is renewable at the option of both parties. Details of the lease as of August 31, 2021 are as follows:

There are no planned acquisitions or lease of properties within the next 12 months.

Vendor	Warehouse Equipment	Location	Monthly Lease Inclusive of 12% VAT	Lease Term
Piston & Rings	Nichiyu FB20P-60BC	Carmona 6th Street	41,240.00	Nov. 1, 2019 - Oct 31, 2021
	TCM Reachtruck FRB14	Carmona 6th Street	44,600.00	Nov. 1, 2019 - Oct 31, 2021
	Toyota Electric Counter Balance 5FB18	Carmona 6th Street	42,480.00	Nov. 1, 2019 - Oct 31, 2021
	TCM FD15 Diesel Counter Balance	Carmona 6th Street	Backup Only (Free of Charge)	Nov. 1, 2019 - Oct 31, 2021
Piston & Rings	Komatsu Electric FB15	Golden Mile Carmona 01-04	41,240.00	Nov. 1, 2019 - Oct 31, 2021
	Toyota Counter Balance 7FB18	Golden Mile Carmona 01-04	41,240.00	Nov. 1, 2019 - Oct 31, 2021
	Crown Reachtruck 7M	Golden Mile Carmona 01-04	56,000.00	Nov. 1, 2019 - Oct 31, 2021
	Nichiyu Reachtruck FBRW18	Golden Mile Carmona 01-04	Service unit only until Crown becomes operational	Nov. 1, 2019 - Oct 31, 2021
Piston & Rings	Toyota LPG FG25	Camalig, Meycauayan, Bulacan	40,000.00	Mar 1, 2021- Feb 28, 2022
	Nichiyu Reachtruck FBRW15	Camalig, Meycauayan, Bulacan	41,000.00	Mar 1, 2021- Feb 28, 2022

	Nichiyu Reachtruck FBRMAW9	Camalig, Meycauayan, Bulacan	15,000.00	Mar 1, 2021- Feb 28, 2022
	Mitsubishi LPG	Camalig, Meycauayan, Bulacan	Backup Only (Free of Charge)	Mar 1, 2021- Feb 28, 2022
Piston & Rings	Toyota Reachtruck FBRAW15	Johnson & Johnson	38,800.00	Nov. 1, 2019 - Oct 31, 2021
Piston & Rings	Toyota Reachtruck 5FBR20	Zuellig Tunasan	44,800.00	Nov. 1, 2019 - Oct 31, 2021
	TCM Reachtruck FRH25	Zuellig Tunasan	44,800.00	Nov. 1, 2019 - Oct 31, 2021
	Toyota Reachtruck FBR15	Zuellig Tunasan	44,800.00	Nov. 1, 2019 - Oct 31, 2021
	Nichiyu Reachtruck 15AE0430	Zuellig Tunasan	44,800.00	Nov. 1, 2019 - Oct 31, 2021
Piston & Rings	Nichiyu Reachtruck FBR1360-400	PGA Baesa, Q.C.	42,000.00	Nov. 1, 2019 - Oct 31, 2021
	Nichiyu Reachtruck FB18P-60-300	PGA Baesa, Q.C.	42,000.00	Nov. 1, 2019 - Oct 31, 2021
Piston & Rings	Shinko Counter Balance FBR18	Warehouse 06 Tunasan	39,000.00	Jun. 1, 2021 - May 31, 2022
	Nichiyu Reachtruck FBRAW15	Warehouse 06 Tunasan	42,000.00	Nov. 1, 2019 - Oct 31, 2021
Crown Philippines	Reach Truck RD0217 RDS745S-32- 1A554902	Nutri Asia ,Marilao Bulacan	77,336.00	Apr. 20, 2020 - Apr. 19, 2022
	Reach Truck RD0218 RDS795S-32- 1A554897	Nutri Asia ,Marilao Bulacan	77,336.00	Apr. 20, 2020 - Apr. 19, 2022
	Reach Truck RD0220 RDS795S-32- 1A554899	Nutri Asia ,Marilao Bulacan	52,640.00	Aug. 1, 2020 - Apr. 19, 2022
	Reach Truck RMD0001 RMD6095S-32- 1A565244	Nutri Asia ,Marilao Bulacan	97,304.48	Jun. 21, 2019 - Jun. 20, 2022
	Reach Truck RMD0002 RMD6095S-32- 1A565245	Nutri Asia ,Marilao Bulacan	97,304.48	Jun. 21, 2019 - Jun. 20, 2022
	Counter Balance Electric SC0119 SC5245-40-10027400	Nutri Asia ,Marilao Bulacan	44,148.88	Jun. 21, 2019 - Jun. 20, 2022
	Counter Balance Electric DC0127 SC245-40-10027401	Nutri Asia ,Marilao Bulacan	44,148.88	Jun. 21, 2019 - Jun. 20, 2022
	Counter Balance Electric DC0128 SC5245-40-10027402	Nutri Asia ,Marilao Bulacan	44,148.88	Jun. 21, 2019 - Jun. 20, 2022
	Counter Balance Electric SC0129 SC5245-40-10027403	Nutri Asia ,Marilao Bulacan	44,148.88	Jun. 21, 2019 - Jun. 20, 2022
	Counter Balance Electric SC0130 SC5245-40-10027404	Nutri Asia ,Marilao Bulacan	44,148.88	Jun. 21, 2019 - Jun. 20, 2022
	Counter Balance Electric SC0131 SC5245-40- 10100826	Nutri Asia ,Marilao Bulacan	44,148.88	Jun. 21, 2019 - Jun. 20, 2022
	LPG TYPE CB CG201403 CG339-7- FGA21-1703015	Nutri Asia ,Marilao Bulacan	30,800.00	Apr. 20, 2020 - Apr. 19, 2022
	LPG TYPE CB CG201417 CG339-7- FGA21-1703010	Nutri Asia ,Marilao Bulacan	30,800.00	Apr. 20, 2020 - Apr. 19, 2022
	LPG TYPE CB CG201418 CG339-7- FGA21-1703035	Nutri Asia ,Marilao Bulacan	30,800.00	Apr. 20, 2020 - Apr. 19, 2022
	PALLET MOVER DOUBLE WT0021 WT3040	Nutri Asia ,Marilao Bulacan	24,371.20	Jun. 21, 2019 - Jun. 20, 2022
	PALLET MOVER DOUBLE WT0022 WT3040	Nutri Asia ,Marilao Bulacan	24,371.20	Jun. 21, 2019 - Jun. 20, 2022
	PALLET MOVER SINGLE WT0023 WT3040	Nutri Asia ,Marilao Bulacan	24,371.20	Jun. 21, 2019 - Jun. 20, 2022
Yaletrak Phils.	NDR030EA C861N03529L	Brenntag Ingredients	56,000.00	Oct. 1, 2020 - Oct. 1, 2021

Plan of Operation

In the management letter last year, Management summarized the projected plans of the Company. Fortunately, significant development has happened principally due to the lifting of the suspension of the trading of the Company's shares on the Philippines Stock Exchange (PSE).

Projected Plan for the next 12 months:

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2020. While this investment is still realizable at a substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Actions of the Company

The Parent Company has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Parent Company's resources and build confidence for its business direction:

- Commitment by the majority shareholders of the Parent Company to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Parent Company's equity be preserved;
- Pressing the majority shareholders of NPCA to write down the obligation of NPCAC to its principal shareholders to pave the way for restructured financial statements;
- Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;

- d) Removing the “A” and “B” classification of the Parent Company shares to integrate common shares into just one class;
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Parent Company will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Parent Company is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

While the COVID-19 virus and the curtailment of worldwide mobility have created a difficult business environment, the Parent Company remains positive that a recovery is imminent, given the continuous rollout of vaccines this year.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of ₱577,074,835 as of December 31, 2020

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the Parent Company the direct shareholders of NPCA.

Manpower Requirements

The Group does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

COVID-19 Impact

The Group's management has also considered the consequences of COVID-19 and other events and made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue their business for the foreseeable future. The impact of COVID-19 on future performance and on the measurement of some assets and liabilities might be significant and might therefore require disclosure in the financial statements, but the management has determined that they do not create a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

Management's Discussion and Analysis

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

1. Net income
2. Earnings per share – net income attributable to each share of common stock. (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders. (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors. (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

Metro Alliance (Parent Company) registered a net loss of ₱5.1 million in 2020 as against net loss of ₱4.1 million in 2019 and net income of ₱6.7 million in 2018, respectively. Decreased in Net loss in 2020 as compared in 2019 is mainly attributable to the decreased in unrealized loss on FVOCI in a publicly-listed company whose fair value is based on published prices on Philippines Stock Exchange.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	December 31		
	2020	2019	2018
Earnings (loss) per share (in Php)	(0.02)	(0.01)	(0.01)
Return (loss) on average equity	(0.02)	(0.01)	(0.01)
Debt to total assets ratio	0.65	0.45	0.45
Debt to equity ratio	1.83	0.83	0.81

MCLSI

1. Profitability

- Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services. (gross profit / revenues)
- Net profit margin – ability to generate surplus for stockholders. (net income / sales)
- Return on assets – ability to generate returns from assets. (net income / assets)
- Return on equity – ability to generate returns on investment of stockholders. (net income / stockholders equity)

2. Liquidity ratios

- Current ratio – capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)
- Receivables turnover and days' sales in receivables – measures the ability to collect receivables. (net credit sales / average trade receivables) (365 days / receivables turnover)

MCLSI's profitability is more favorable in 2020 as compared to 2019 and 2018. This is mainly due to the increase in the Company's revenue. The favorable profitability is attributable to rental fees and adhoc and reimbursable charges for the year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2020	2019	2018
<u>Profitability</u>			
a. Gross profit margin	0.153	0.183	0.144
b. Net profit margin	0.03	0.056	0.035
c. Return on assets	0.59	0.069	0.059
d. Return in equity	0.187	0.200	0.145
<u>Liquidity</u>			
a. Current ratio	1.691	1.861	1.583
b. Receivables turnover	2.27	3.114	3.336
c. Days' sales in receivables	161	123	109

CPDSI, FEZ-EAC, ZDI and AHI

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies as mentioned above.

Financial Highlights

The table below shows the consolidated financial highlights of Metro Alliance and subsidiaries for the years ended December 31, 2020, 2019 and 2018:

Balance Sheet	As of December 31 (In Php'000)		
	2020	2019	2018
Current assets	₱227,344	₱200,345	₱197,416
Noncurrent assets	687,440	482,881	407,742
Total Assets	914,784	683,226	605,158
Current liabilities	332,006	359,230	345,252
Noncurrent liabilities	435,146	180,833	129,713
Total Liabilities	767,152	540,063	474,965
Stockholder's Equity	147,632	143,163	130,193
Total Liabilities and Stockholder's Equity	₱914,784	₱683,226	₱605,158

Income Statement	As of December 31 (In Php'000)		
	2020	2019	2018
Sales and services	₱273,670	₱318,405	₱286,713
Cost of sales and services	(228,228)	(260,127)	(245,352)
Gross profit	45,442	58,278	41,361
Finance income	164	229	131
Finance costs	(3,505)	(2,727)	-
Other income	1,655	362	431
General and administrative expenses	(34,500)	(33,908)	(29,688)
Net income before tax	9,256	22,234	12,235
Income tax – Current	(4,646)	(7,861)	(5,651)
Deferred	147	795	804
Net income (loss) after tax	4,758	15,168	7,388
Net income (loss) attributable to:			
Equity Holders of the Parent Company	204	6,431	2,472
Non-controlling interest	4,534	8,738	4,916
	4,758	15,168	7,388
Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.001	₱0.021	₱0.008

The Group will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

Calendar Year Ended December 31, 2020 vs. Calendar Year Ended December 31, 2019

CHANGES IN OPERATING RESULTS

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱4.5 million in 2020 as against net income of ₱15.2 million in 2019 and ₱7.4 million in 2018. Decrease in net income in 2020 by ₱10.7 million or 70.39% as compared to last year's due to the COVID-19 pandemic, which mostly of the businesses experienced. Earnings (loss) per share for 2020, 2019 and 2018 for equity holders of the Parent Company are ₱0.001, ₱0.021 and ₱0.008, respectively. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱273.7 million, ₱318.4 million and ₱286.7 million for the years ended December 31, 2020, 2019 and 2018. The decrease in revenue by ₱44.7 million or 14.04% was due to the COVID-19 pandemic in 2020 wherein most businesses shutdown.

Cost of Sales and Services

Total cost of sales and services for the years 2020, 2019 and 2018 amounted to ₱228.2 million, ₱260.1 million and ₱245.4 million, respectively. The decrease by ₱31.9 million or 12.26% was mainly attributable to net effect of the following: decrease of personnel cost by ₱0.2 million, increase in rent and utilities expense by ₱0.7 million, decrease in transportation expenses of ₱37.7 million, decrease in depreciation by ₱1.9 million, increase of security services by ₱2.6 million, decrease in outside services by ₱3.0 million, increase in repair and maintenance by ₱0.2 million and increase in other expenses ₱7.4 million.

Finance and Other Income, Net

Net of finance income/(loss) and other income/(loss) for the years 2020, 2019 and 2018 amounted to (₱1.7 million), (₱2.7 million) and ₱0.6 million, respectively. Decrease of finance loss in 2020 by ₱0.5 million 21.07% was due to the following; interest income from banks decrease by ₱0.1 million, interest expense pertaining to lease liability increased by ₱0.8 million and increase in other income amounted to ₱1.3 million.

General Administrative Expense

General Administrative expenses for the years 2020, 2019 and 2018 amounted to ₱34.5 million, ₱33.9 million and ₱29.7 million, respectively. Increase in expenses in 2020 was mainly attributable to the following net effect; decrease in personnel costs by ₱2.2 million or 13.50%, increase in professional fees by ₱1.0 million or 63.23%, decrease in taxes and licenses by ₱0.3 million or 12.27%, provision for probable losses by ₱0.6 million or 73.55%, increase in provision for impairment by ₱1.5 million or 100%, decrease of rent and utilities by ₱0.3 million, decrease in entertainment expenses by ₱0.2 million, decrease in communication and supplies by ₱2.8 million or 93.90%, decrease in transportation expenses by ₱3.3 million or 60.29%.

CHANGES IN FINANCIAL CONDITION

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Polymax is the Company's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 20% of Polymax's interest which is valued at ₱366.2 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

Assets

Cash and cash equivalents for the years 2020 and 2019 amounted to ₱33.1 million and ₱33.0 million, respectively. Increase by ₱0.1 million or 0.4% in 2020 is net effect of net cash flows from operating activities amounting ₱28.5 million, net cash flows from investing activities of (₱234.1 million) and net cash flows for financing activities of ₱205.7 million.

Receivables amounted to ₱169.6 million in 2020 and ₱148.3 million in 2019 (net of allowance for doubtful accounts of ₱150.5 million and ₱149.0 million as of December 31, 2020 and 2019, respectively). Net trade and other receivables increase by ₱21.3 million or 14.35%. Other receivables pertain to advances subject for liquidation.

Other current assets amounted to ₱24.7 million in 2020 and ₱19.1 million in 2019 (net of allowance for probable losses of ₱14.3 million and ₱12.9 million for 2020 and 2019, respectively). In 2020, the increase of ₱5.6 million was mostly due to the increase in prepayments and others by ₱11.2 million, decrease in refundable deposits by ₱4.3 million and increase in the allowance of impairment by ₱1.5 million.

Asset held for sale amounting to ₱577.1 million and ₱366.2 million for years ended December 31, 2020 and 2019 (which constitute 63% and 54% of the Group's total assets as of December 31, 2020 and 2019, respectively) represents advances to Polymax, the Group's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

The Company made additional collections of the advances from Polymax amounting to ₱57,371,345 and ₱2,634,110 in 2020 and 2019, respectively.

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱20.9 million in 2020, ₱21.2 million in 2019 and ₱22.6 million in 2018. This account includes shares of stocks owned in publicly-listed company and non-listed entity. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated net unrealized gain amounted to ₱4.7 and ₱4.9 million as of December 31, 2020 and 2019, respectively.

Investment in Debt Security

During 2020, the Group invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Total interest income earned of the investments amounted to ₱38,632 on December 31, 2020. Carrying amount of the bond investment on December 31, 2020 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values. During 2020, the Group terminated the bond investment for ₱2,038,632.

Property, plant and equipment-net amounted to ₱72.1 million and ₱81.6 million in 2020 and 2019, respectively with a decrease in property, plant and equipment by ₱9.4 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2020 and 2019. In 2020 and 2019, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the years 2020 and 2019 amounted to ₱11.7 million and ₱6.5 million, respectively. Increase by ₱5.3 million or 8.19% is due to the increase of refundable deposits and intangible assets. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2020 and 2019 amounted to ₱291.6 million and ₱274.6 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark.

The net increase for year 2020 by ₱17.0 million or 6.2% is attributable to increase in trade payables by ₱15.9 million and increase in accrued expenses ₱1.1 million.

In 2017, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized.

During 2018, the Parent Company reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the company's operating cycle, whichever is longer.

Lease Liability is the liability recognized in relation to the adoption of PFRS 16. As of December 31, 2019, the Company's determined incremental rate used is 5%. Current lease liability amounted to ₱34.1 million

and ₱25.4 million in years 2020 and 2019, respectively. Noncurrent portion of Lease liability amounted to ₱34.8 million and ₱49.6 million in years 2020 and 2019.

Due to related parties - current for the years 2020 and 2019 amounted to ₱6.3 million and ₱59.1 million, respectively. In 2020, the Board of Directors approved in its Board Resolution No. 12, dated December 23, 2020, the offset of the Parent Company's collectibles from Polymax (Asset Held for Sale) in the amount of ₱52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. *Due to related parties - noncurrent* for the years 2020 and 2019 amounted to ₱268.3 million and ₱0, respectively. In 2020, The Parent Company issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, the principal amount of ₱263,000,345 and its legal interest of 2% per annum.

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms

Accrued retirement benefit cost amounted to ₱8.6 million and ₱7.8 million as of December 31, 2020 and 2019. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

1. Net income
2. Earnings per share – net income attributable to each share of common stock. (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders. (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors. (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

Metro Alliance (Parent Company) registered a net loss of ₱4.1 million in 2019 as against net loss of ₱6.7 million in 2018 and net income of ₱5.7 million in 2017, respectively. Decrease in Net loss in 2019 as compared in 2018 is mainly attributable to the decrease in unrealized loss on FVOCI in a publicly-listed company whose fair value is based on published prices on Philippines Stock Exchange.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	December 31		
	2019	2018	2017
Earnings (loss) per share (in Php)	(0.01)	(0.01)	0.01
Return (loss) on average equity	(0.01)	(0.01)	(0.01)
Debt to total assets ratio	0.45	0.45	0.44
Debt to equity ratio	0.83	0.81	0.79

MCLSI

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services. (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders. (net income / sales)
 - c. Return on assets – ability to generate returns from assets. (net income / assets)

- d. Return on equity – ability to generate returns on investment of stockholders. (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables. (net credit sales / average trade receivables) (365 days / receivables turnover)

MCLSI's profitability is more favorable in 2019 as compared to 2018 and 2017. This is mainly due to the increase in the Company's revenue. The favorable profitability is attributable to rental fees and adhoc and reimbursable charges for the year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2019	2018	2017
<u>Profitability</u>			
a. Gross profit margin	0.183	0.144	0.209
b. Net profit margin	0.056	0.035	0.073
c. Return on assets	0.069	0.059	0.118
d. Return in equity	0.200	0.145	0.280
<u>Liquidity</u>			
a. Current ratio	1.861	1.583	1.635
b. Receivables turnover	3.114	3.336	3.006
c. Days' sales in receivables	123	109	121

CPDSI, FEZ-EAC, ZDI and AHI

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies as mentioned above.

Financial Highlights

The table below shows the consolidated financial highlights of Metro Alliance for the years ended December 31, 2019, 2018 and 2017:

Balance Sheet	As of December 31 (In Php'000)		
	2019	2018	2017
Current assets	₱200,345	₱197,416	₱168,259
Noncurrent assets	482,881	407,742	411,703
Total Assets	683,226	605,158	579,962
Current liabilities	359,230	345,252	324,057
Noncurrent liabilities	180,833	129,713	128,356
Total Liabilities	540,063	474,965	452,413
Stockholder's Equity	143,163	130,193	127,549
Total Liabilities and Stockholder's Equity	₱683,226	₱605,158	₱579,962

Income Statement	As of December 31 (In Php'000)		
	2019	2018	2017
Sales and services	₱318,405	₱286,713	₱224,221
Cost of sales and services	(260,127)	(245,352)	(177,450)
Gross profit	58,278	41,361	46,771
Other expenses – net	(36,044)	(29,126)	(27,637)
Net income before tax	22,234	12,235	19,134
Income tax – Current	(7,861)	(5,651)	(8,031)
Deferred	795	804	(530)
Net income (loss) after tax	15,168	7,388	10,573
Net income (loss) attributable to:			
Equity Holders of the Parent Company	6,431	2,472	3,539
Non-controlling interest	8,738	4,916	7,034
	15,168	7,388	10,573

Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.021	₱0.008	₱0.012
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The Group will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

Calendar Year Ended December 31, 2019 vs. Calendar Year Ended December 31, 2018

CHANGES IN OPERATING RESULTS

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱15.2 million in 2019 as against net income of ₱7.4 million in 2018 and ₱10.6 million in 2017, resulting an increase in net income by ₱7.8 million or 105.41% as compared to last year's. Earnings (loss) per share for 2019, 2018 and 2017 for equity holders of the Parent Company are ₱0.021, ₱0.008 and ₱0.012, respectively. The increase in net income was mainly due to the increase of sales. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱318.4 million, ₱286.7 million and ₱224.2 million for the years ended December 31, 2019, 2018 and 2017. The increase in revenue of ₱31.7 million or 11.06% in 2019 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

Cost of Sales and Services

Total cost of sales and services for the years 2019, 2018 and 2017 amounted to ₱260.1 million, ₱245.4 million, ₱177.5 million, respectively. The increase of ₱14.7 million or 5.99% is mainly attributable to increase in the following: transport expense of ₱12.9 million, depreciation ₱32.4 million, outside services ₱3.1 million and interest expense ₱2.7 million.

General Administrative Expense and Other Income (Expenses)

General Administrative expense and Other income (expenses) is composed of administrative expenses, interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Expenses for the years 2019, 2018 and 2017 amounted to ₱36.0 million, ₱29.1 million, and ₱27.6 million, respectively. Resulting in an increase of ₱6.9 million or 23.71%. The increase is a net effect of increase in administrative expenses of ₱4.2 million or 14.43%, decrease in other expense of ₱2.7 million or 4.80%.

CHANGES IN FINANCIAL CONDITION

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Polymax is the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PIIC and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 20% of Polymax's interest which is valued at ₱366.2 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company. The consolidated financial statements

do not include any adjustments that might result from the outcome of these uncertainties. As explained in the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

Assets

Cash and cash equivalents for the years 2019 and 2018 amounted to ₱33 million and ₱43.2 million, respectively. Decreased by ₱10.2 million or 23.61% in 2017 is net effect of net cash received from operating activities amounting ₱26.8 million, net cash from investing activities of (₱109.6 million) and net cash provided for financing activities of ₱72.6 million.

Receivables amounted to ₱148.3 million in 2019 and ₱132.1 million in 2018 (net of allowance for doubtful accounts of ₱149.0 million and ₱148.1 million as of December 31, 2019 and 2018, respectively). Net trade and other receivables increased by ₱16.2 million or 12.26%. Other receivables pertain to advances subject for liquidation.

Other current assets amounted to ₱19.1 million in 2019 and ₱22.39 million in 2018 (net of allowance for probable losses of ₱12.9 million for both years 2019 and 2018). In 2019, the decrease by ₱3.29 million is net effect of decrease in input taxes ₱0.8 million and decrease in other prepayments ₱2.5 million.

Asset held for sale amounting to ₱366.2 million and ₱368.8 million for years ended December 31, 2019 and 2018 (which constitute 54% and 61% of the Group's total assets as of December 31, 2019 and 2018, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

The Company made additional collections of the advances from Polymax amounting to ₱2,551,564 and ₱2,551,564 in 2019 and 2018, respectively.

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱21.2 million in 2019 and ₱22.6 million in 2018. This account includes shares of stocks owned in publicly-listed company and non-listed entity. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated net unrealized gain amounted to ₱4.9 million and ₱6.4 million as of December 31, 2019 and 2018, respectively.

Investment in Debt Security

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Total interest income earned of the investments amounted to ₱38,632 on December 31, 2019. Carrying amount of the bond investment on December 31, 2019 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values. The Company has no debt investments in 2018.

Property, plant and equipment-net amounted to ₱81.6 million in 2019 and ₱6.7 million in 2018. Net increase in property, plant and equipment in 2019 by ₱74.9 million pertains mainly to the new reportable PFRS 16 item, the Right-Of Use Asset, with ₱106.3 million amount and depreciation expense of ₱32.8 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2019 and 2018. In 2019 and 2018, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the years 2019 and 2018 amounted to ₱6.5 million and ₱4.9 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2019 and 2018 amounted to ₱274.6 million and ₱286.3 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimak.

The net decrease for year 2019 by ₱11.7 million or 4.09% is attributable to decrease in trade payables ₱12.7 million and increase in accrued expenses ₱1.2 million.

In 2017, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized. See Noted to Consolidated Financial Statements for full disclosure

During 2018, the Parent Company reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the company's operating cycle, whichever is longer.

Lease Liability relates to liability recognized in relation to the adoption of PFRS 16. As of December 31, 2019, the Company's determined incremental rate used is 5%. No lease liability was recognized in 2018. As of December 31, 2019, current lease liability amounted to ₱25.5 million and the noncurrent portion amounted to ₱49.6 million.

Due to related parties for the years 2019 and 2018 amounted to ₱59.2 million and ₱59 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱7.8 million and ₱6.3 million as of December 31, 2019 and 2018. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

(i) Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern. As of December 31, 2020 and 2019, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱577.1 million and ₱366.2 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million as of December 31, 2019 and 2018, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to

partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

In 2020 and 2019, the Parent Company was able to collect partially the advances from Polymax amounting to ₱57,371,345 and ₱2,634,110, respectively.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

(ii) Events that will Trigger Direct Contingent or Financial Obligation

Having resolved its disputes with foreign parties involved in Bataan petrochemical project, there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation.

(iii) Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Metro Alliance with unconsolidated entities or other persons created during the reporting period. Completed transactions in connection with our investment in the petrochemical project were fully disclosed in the audited consolidated financial statements.

(iv) Commitment for Capital Expenditures

Since CDPSI has ceased operations and MVC ceased to be a subsidiary of the Parent Company, the Group has no commitment for capital expenditures.

(v) Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales rely solely on MCLSI's results of operations.

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱4.5 million in 2020 as against net income of ₱15.2 million in 2019 and ₱7.4 million in 2018, resulting a decreased in net income by ₱10.7 million or 70.39% as compared to last year's. Earnings (loss) per share for 2020, 2019 and 2018 for equity holders of the Parent Company are ₱0.001, ₱0.021 and ₱0.008, respectively. The decreased in net income was mainly due COVID-19 pandemic. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱273.7 million, ₱318.4 million and ₱286.7 million for the years ended December 31, 2020, 2019 and 2018. The decreased in revenue by ₱44.7 million or 14.04% was due to the COVID-19 pandemic in 2020 wherein most businesses shutdown.

(vi) Significant Element of Income or Loss That Did Not Arise From Continuing Operations.

There is no significant element of income or loss that did not arise from continuing operations.

(vii) Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability.

(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

Undertaking

A copy of the Annual Report for the year ended December 31, 2019 or SEC Form 17-A will be made available in the Company Website.

Interim Period as of Quarter Ended June 30, 2021

The following table shows the consolidated financial highlights of the Group for the quarters ended June 30, 2021 and 2020 and December 31, 2020:

Key Performance Indicators

The Metro Alliance (MAH) and its majority-owned subsidiaries key performance indicators as follow:

Metro Alliance

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱2,277,178 for the 2nd quarter of 2021 as compared to the same quarter of 2020 with net loss amounting to ₱1,302,076 or an increase in net loss by ₱975,102 or 74.89%.

Comparative analysis of Metro Alliance's key performance indicators is as follows:

Performance indicator	June 30	
	2021	2020
Net Income / (Loss)	(₱2,798,421)	(₱1,302,584)
Income / (Loss) per share	(0.009)	(0.004)
Income / (Loss) on average equity	(0.019)	(0.009)
Debt to total assets	0.649	0.454
Debt to equity	1.847	0.830

MCLSI

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders (net income / sales)
 - c. Return on assets – ability to generate returns from assets (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets (current assets/current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables (net credit sales / average trade receivables) (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators on June 30 are as follows:

Performance indicator	2021	2020
Profitability		
a. Gross profit margin	0.150	0.151
b. Net profit margin	0.058	0.059
c. Return on assets	0.029	0.028
d. Return on equity	0.077	0.088
Liquidity		
a. Current ratio	1.907	1.657
b. Receivables turnover	0.766	0.665
c. Days' sales in receivables	476.675	548.791

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies. Management is considering a rationalization plan to address the future of these non-operating subsidiaries.

Financial Highlights

☐ Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2021	Apr. – Jun. 2020	Jan. – Jun. 2021	Jan. – Jun. 2020
Sales and services	₱70,891,181	₱53,783,440	₱137,529,338	₱139,382,769
Cost of sales and services	61,761,845	52,362,210	116,948,862	118,401,904
Gross profit	9,129,336	1,421,230	20,580,476	20,980,865
Expenses	(9,793,861)	(7,052,030)	(15,978,335)	(15,084,315)
Other income	7,777	792,856	487,662	989,089
Net Income Before Tax	(656,748)	(4,837,944)	5,089,803	6,885,639
Income tax expense	-	-	-	-
Net income	(656,748)	(4,837,944)	5,089,803	6,885,639
Attributable to:				
Equity Holders of the Parent Company	(1,457,709)	(2,766,647)	1,209,334	2,864,564
Non-controlling interest	800,961	(2,071,297)	3,880,469	4,021,075
	(656,748)	(4,837,944)	5,089,803	6,885,639
Earnings Per Share – Equity Holders of the Parent Company	₱0.0048	(₱0.0090)	₱0.0040	₱0.0094

☐ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2021	Jun. 30, 2020	Dec. 31, 2020
Current assets	₱212,765,039	₱243,088,096	₱227,344,462
Noncurrent assets	692,967,979	481,364,672	687,440,059
Total Assets	905,733,018	724,452,768	914,784,521
Current liabilities	317,559,463	393,571,336	332,005,881
Noncurrent liabilities	435,451,310	180,832,937	435,146,198
Total Liabilities	753,010,773	574,404,273	767,152,079
Stockholder's Equity	152,722,245	150,048,495	147,632,442
Total Liabilities and Stockholder's Equity	₱905,733,018	₱724,452,768	₱914,784,521

CHANGES IN RESULTS OF OPERATION

Net Income and Earnings Per Share

The Group registered a consolidated net loss of ₱0.7 million for the 2nd quarter of 2021 as against net loss of ₱4.8 million for the 2nd quarter of 2020 or a decrease of ₱4.1 million or 85.42% due to higher expenses incurred for the quarter 2021. Income (Loss) per share attributable to equity holders of Parent Company are ₱0.004 and (₱0.009) for the 2nd quarter of 2021 and 2020, respectively. Since certain

subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱70.9 million and ₱53.8 million for the quarters ended June 30, 2021 and 2020. The decrease in revenue by ₱17.1 million or 31.78%.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2021 and 2020 amounted to ₱61.8 million and ₱52.4 million, respectively. The increase in cost of sales by ₱9.4 million or 17.94% against last quarter was mainly due to the following net effect of expenses; increase of personnel cost by ₱6.1 million, increase in rent and utilities by ₱1.2 million, increase in transportation expenses by ₱0.2 million, increase of outside and security services by ₱2.0 million and decrease of other costs by ₱0.1 million.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2021 amounted to ₱9.8 million as compared to ₱7.1 million for the 2nd quarter of 2020 or an increase of ₱2.7 million or 38.03%. The increase was mainly attributable on the following: increased in professional cost by ₱0.2 million, increased in entertainment by ₱0.08 million, decreased in personnel cost by ₱0.08 million, increased in rent and utilities by ₱0.1 million, increased in amortization and depreciation by ₱0.4 million, increased in communication and supplies by ₱0.1 million, decreased in transportation by ₱0.1 million, increased in taxes and licenses by ₱2.1 million and decreased in other operating costs by ₱0.02 million.

Other income

Other income for the quarters ended June 30, 2021 and 2020 amounted to ₱0.0 million and ₱0.8 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

CHANGES IN FINANCIAL CONDITIONS

Assets

Cash and cash equivalents as of June 30, 2021 and 2020 amounted to ₱32.3 million and ₱22.6 million, respectively. Net cash flows from operating activities is ₱4.6 million, net cash flows from investing activities is (₱5.1 million) and net cash flows from financing activities is (₱0.3 million).

Receivables amounted to ₱155.9 million as of June 30, 2021 and ₱197.3 million as of June 30, 2020 (net of allowance for doubtful accounts). Movement in the accounts is mainly attributable to the decreased in trade receivable by ₱40.30 million, increased in other receivables by ₱0.3 million and increased in allowance for probable loss by ₱1.5 million. Other receivables pertain to advances subject for liquidation.

Other current assets amounted to ₱24.6 million and ₱23.2 million as of June 30, 2021 and 2020, respectively (net of allowance for probable losses of ₱14.3 million and ₱12.9 million, respectively). The increase by ₱1.4 million was net effect of the following: Increased in creditable withholdings tax and input taxes by ₱1.6 million, decreased of refundable deposits – current by ₱4.2 million and increased in other prepayments by ₱5.5 million and increase of probable allowance by ₱1.5 million.

Asset held for sale amounting to ₱573.7 million and ₱364.7 million as of June 30, 2021 and 2020, respectively, which represents advances to Polymax, the Group's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱20.9 million and ₱21.2 million in June 30, 2021 and 2020, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Investment in Debt Security

The Group invested with Philippine Depository and Trust Corporation (PDTC) bonds through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% with maturity date on June 28, 2021. The carrying amount of the bond investment as of June 30, 2021 and 2020 amounted to nil and ₱2,038,632, respectively. At the end of 2020, the Group terminated the bond investment for total proceeds of ₱2,038,632.

Property and equipment amounted to ₱80.6 million and ₱80.6 million in June, 2021 and 2020, respectively. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2021 and 2020 and the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets as of June 30, 2021 and 2020 amounted to ₱12.1 million and ₱7.4 million, respectively or an increase by ₱4.7 million due to increase in refundable deposits and decrease in intangible assets by ₱0.1 million. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and the non-current portion of refundable deposits.

Liabilities

The Accounts payable and accrued expenses – current portion as of June 30, 2021 and 2020 amounted to ₱277.4 million and ₱309.3 million, respectively. The decreased was due to payment of trade payables amounting to ₱29.8 million and decreased in other current liabilities by ₱2.0 million. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 19).

Lease Liability is the liability recognized in relation to the adoption of PFRS 16. Current lease liability amounted to ₱34.1 million and ₱25.5 million as of June 30, 2021 and 2020, respectively. Noncurrent portion of Lease liability amounted to ₱34.8 million and ₱49.6 million as of June 30, 2021 and 2020, respectively.

The *Due to related parties - current* as of June 30, 2021 and 2020 amounted to ₱6.1 million and ₱58.9 million, respectively. The decrease was mainly due to the 2020's offset of the Parent Company's collectibles from Polymax (Asset Held for Sale) in the amount of ₱52.9 million, with the Parent Company's payable to the Wellex Group, Inc. Due notice was given to both parties. *Due to related parties - noncurrent* as of June 30, 2021 and 2020 amounted to ₱268.3 million and ₱0, respectively. In 2020, The Parent Company issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, with a total obligation of ₱268.3 million. The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

Accrued retirement benefit cost amounted to ₱8.6 million and ₱7.8 million as of June 30, 2021 and 2020, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2020 and 2021 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. In 2020, the Board of Directors approved to write-off the remaining retirement benefit payable of the Parent Company since it has no longer have employees.

Interim Period as of Quarter Ended June 30, 2020

The following table shows the consolidated financial highlights of the Group for the quarters ended June 30, 2020 and 2019 and December 31, 2019:

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders. (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors. (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱1,302,584 for the 2nd quarter of 2020 as compared to the same quarter of 2019 with net loss amounting to ₱1,114,076 or an increase in net loss of ₱188,508 or 16.92%.

Comparative analysis of Metro Alliance's key performance indicators is as follows:

Performance indicator	Jun 30	
	2020	2019
Net Income / (Loss)	(₱1,302,584)	(₱1,114,076)
Income / (Loss) per share	(0.004)	(0.004)
Income / (Loss) on average equity	(0.009)	(0.005)
Debt to total assets	0.454	0.449
Debt to equity	0.830	0.814

MCLSI

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders (net income / sales)
 - c. Return on assets – ability to generate returns from assets (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets (current assets/current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables (net credit sales / average trade receivables) (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators as follows:

Performance indicator	June 2020	June 2019	Dec 2019
<u>Profitability</u>			
a. Gross profit margin	0.151	0.198	0.183
b. Net profit margin	0.059	0.069	0.056
c. Return on assets	0.028	0.058	0.069
d. Return on equity	0.088	0.129	0.200
<u>Liquidity</u>			
a. Current ratio	1.657	1.669	1.861
b. Receivables turnover	0.665	1.679	3.114
c. Days' sales in receivables	548.79	217.44	123

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

Financial Highlights

☐ Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2020	Apr. – Jun. 2019	Jan. – Jun. 2020	Jan. – Jun. 2019
Sales and services	₱53,783,440	₱74,873,318	₱139,382,769	₱145,882,840
Cost of sales and services	(52,362,210)	(65,076,062)	(118,401,904)	(117,053,592)
Gross profit	1,421,230	9,797,256	20,980,865	28,829,248
Expenses	(7,052,030)	(8,062,832)	(15,084,315)	(15,809,834)
Other income	792,856	334,221	989,089	369,882
Net Income Before Tax	(4,837,944)	2,068,645	6,885,639	13,389,296
Income tax expense	-	(4,401,792)	-	(4,401,792)
Net income	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Attributable to:				
Equity Holders of the Parent Company	(2,766,647)	(1,399,724)	2,864,564	4,028,768
Non-controlling interest	(2,071,297)	(933,423)	4,021,075	4,958,736
	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Earnings Per Share – Equity Holders Of the Parent Company	(₱0.0090)	(₱0.0046)	₱0.0094	₱0.0132

☐ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2020	Jun. 30, 2019	Dec. 31, 2019
Current assets	₱243,088,096	₱197,473,290	₱200,345,514
Noncurrent assets	481,364,672	410,489,286	482,880,770
Total Assets	724,452,768	607,962,576	683,226,284
Current liabilities	393,571,336	339,069,075	359,230,490
Noncurrent liabilities	180,832,937	129,712,528	180,832,937
Total Liabilities	574,404,273	468,781,603	540,063,427
Stockholder's Equity	150,048,495	139,180,973	143,162,857
Total Liabilities and Stockholder's Equity	₱724,452,768	₱607,962,576	₱683,226,284

CHANGES IN RESULTS OF OPERATION

Net Income and Earnings Per Share

The Group registered a consolidated net loss of ₱4.8 million for the 2nd quarter of 2020 as against net loss of ₱2.3 million for the 2nd quarter of 2019 or an increase of ₱2.5 million or 1.09% due to lower sales recorded and higher incurred expense for the quarter due to COVID19 pandemic. Loss per share attributable to equity holders of Parent Company are ₱0.009 for the 2nd quarter of 2020 and ₱0.005 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱53.8 million and ₱74.9 million for the quarters ended June 30, 2020 and 2019, which decrease the revenue by ₱21.1 million or 28.17%.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2020 and 2019 amounted to ₱52.4 million and ₱65.1 million, respectively, with a decrease in cost of sales by ₱12.7 million or 19.51%.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2020 amounted to ₱7.1 million as compared to ₱8.1 million for the 2nd quarter of 2019 or a decrease of ₱1.0 million or 12.35%.

Other income

Other income for the quarters ended June 30, 2020 and 2019 amounted to ₱0.8 million and ₱0.3 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

CHANGES IN FINANCIAL CONDITIONS**Assets**

Cash and cash equivalents for the 2nd quarter of 2020 and 2019 amounted to ₱22.6 million and ₱52.0 million, respectively. Net cash flows used in operating activities is ₱12.6 million, net cash flows from investing activities is ₱2.5 million and net cash flows from financing activities is ₱0.3 million.

Receivables amounted to ₱197.3 million as of 2nd quarter of 2020 and ₱126.2 million as of 2nd quarter of 2019 (net of allowance for doubtful accounts). Movement in the accounts is net effect of (a) increase in trade receivable by ₱72.2 million and (b) decrease in other receivable by ₱0.2 million and (c) increase in allowance for doubtful accounts by ₱0.9 million.

Other current assets amounted to ₱23.2 million and ₱19.3 million as of the 2nd quarter of 2020 and 2019 (net of allowance for probable losses of ₱12.9 million). The increase by ₱3.9 million in 2nd quarter of 2020 as against the 2nd quarter of 2019 is net effect of increase in input taxes by ₱1.3 million and other prepayments by ₱2.7 million.

Asset held for sale amounting to ₱364.7 million and ₱367.4 million as of June 30, 2020 and 2019, respectively, which represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱21.2 million and ₱22.6 million in June 30, 2020 and 2019, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Investment in Debt Security

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Carrying amount of the bond investment on June 30, 2020 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

Property and equipment amounted to ₱80.6 million and ₱8.9 million in June 30, 2020 and 2019, respectively. Net increase in property, plant and equipment in 2019 by ₱74.9 million pertains mainly to the new reportable PFRS 16 item, the Right-Of Use Asset, with ₱106.3 million amount and depreciation expense of ₱32.8 million. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2020 and 2019, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the 2nd quarters 2020 and 2019 amounted to ₱7.4 million and ₱4.9 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

The Accounts payable and accrued expenses – current portion for the quarter ended June 30, 2020 and 2019 amounted to ₱309.3 million and ₱280.8 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 17).

Lease Liability relates to liability recognized in relation to the adoption of PFRS 16. As of June 30, 2020, the Company's determined incremental rate used is 5%. For the 2nd quarter 2020 and 2019, current lease liability amounted to ₱25.5 million and nil, respectively and as to the noncurrent portion amounted to ₱49.6 million and nil, respectively.

The *Due to related parties* for the 2nd quarter of 2020 and 2019 amounted to ₱58.9 million and ₱58.3 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱7.8 million and ₱6.3 million as of June 30, 2020 and 2019, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Summary of Material Trends, Events and Uncertainties

As of June 30, 2021 and 2020, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱573.7 million and ₱364.7 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

Legal case

a. Metro Alliance vs. Commissioner of Internal Revenue

Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

On July 5, 2002, the Group received a decision from the Court of Tax Appeals (CTA) denying the Group's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Group filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Group then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Group. The Group, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the

Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

On April 26, 2006, the Group filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of June 30, 2021, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable

- b. Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Group, et al., Civil Case SCA#TG- 05-2519, RTC Tagaytay City Branch 18
Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

On September 14, 2005, the Group (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Group was able to get the formal trial started and on-going. The Group's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Group. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

In 2020, the Parent Company already acknowledged the obligation to PHES, which was due and demandable on June 30, 2020. The Parent Company, however, failed to pay the amount on that date, for which, legal interest has been accrued at the end of the year. Total amount due to PHES is ₱268,260,352.

- c. MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513
Civil Action with Damages to Nullify the Foreclosure of Property

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30-day extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, at al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et.al filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Group received a copy of PVB's 'Comment/Opposition' dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 30, 2019.

On February 23, 2021, the case was set for the presentation of plaintiffs' evidence. However, the case was rescheduled on June 22, 2021 due to lack of return card of the notice of the hearing sent to defendant's counsel. It was again reset on September 14, 2021 as the court was placed on lockdown on June 22, 2021 due to COVID pandemic.

- d. MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159
Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Group, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Group and NPC Group, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Group having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the

mounting losses coupled with the unfettered control of the NPC Group on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Group against the NPC Group was set for hearing. In support of their application, Metro Group presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16, 2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/ Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under pretext that he is a stockholder of NPCAC.

On February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

Subsequently, the defendants filed a Petition for Certiorari and Prohibition with Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals. On December 18, 2020, the plaintiffs have filed their Comment through their legal representative. To date, the Parent Company has not received any order of Execution relative to this case.

- e. There are also other pending minor legal cases against the Group. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Group's financial position and result of operations.

Events that will Trigger Direct Contingent or Financial Obligation

Having resolved its disputes with foreign parties involved in Bataan petrochemical project, there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Metro Alliance with unconsolidated entities or other persons created during the reporting period. Completed transactions in connection with our investment in the petrochemical project were fully disclosed in the audited consolidated financial statements.

Commitment For Capital Expenditures

Since CDPSI has ceased operations and MVC ceased to be a subsidiary of the Parent Company, the Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales rely solely on MCLSI's results of operations.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

Undertaking

A copy of the Second Quarter Report for the period ended June 30, 2021 or SEC Form 17-Q will be made available in the Company website

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance are ₱406,560 for the year 2020, ₱406,560 for the year 2019, ₱406,560 for the year 2018 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.
- (b) Tax fees - there were no tax fees paid for the years 2020, 2019 and 2018.
- (c) Other fees – there were no other fees paid for the years 2020, 2019 and 2018.
- (d) Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

Changes in and disagreements with Accountants on Accounting and Financial Disclosure

No independent accountant who was previously engaged as the principal accountant to audit Metro Alliance financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed in the two most recent fiscal years or any subsequent interim period. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

DIRECTORS AND EXECUTIVE OFFICERS

Please refer to Item 5, Directors and Executive Officers, of the SEC Form 20-IS.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

Market Information

The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2021	First Quarter	4.08	1.84	4.08	1.84
	Second Quarter	2.64	1.93	2.64	1.93
2020	First Quarter	3.30	0.89	3.30	0.89
	Second Quarter	3.19	1.36	3.19	1.36
	Third Quarter	2.37	1.40	2.37	1.40
	Fourth Quarter	2.37	1.62	2.37	1.62
2019	First Quarter	2.88	1.67	2.88	1.67
	Second Quarter	1.94	1.44	1.94	1.44
	Third Quarter	1.69	1.02	1.69	1.02
	Fourth Quarter	1.15	0.98	1.15	0.98
2018	Third Quarter	2.78	1.36	2.78	1.36
	Fourth Quarter	2.46	0.92	2.46	0.92

The high, low and close market prices of Class “A” and Class “B” were ₱1.63, ₱1.60, ₱1.60 as of September 16, 2021.

Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class “A” and 122,448,897 shares are Class “B”. As of August 31, 2021, there are 607 holders of Class “A” shares and 387 holders of Class “B” shares.

List of Top 20 Stockholders As of August 31, 2021

	Stockholder's Name	Number of Shares		Percentage to Total (%)
		Class A	Class B	
1	PCD NOMINEE CORPORATION (FILIPINO)	43,067,501	30,725,833	24.115
2	CRESTON GLOBAL LIMITED		56,378,388	18.417
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
7	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
8	CHARTERED COMMODITIES CORP.	11,296,000		3.690
9	MIZPAH HOLDINGS, INC.	10,128,700		3.309
10	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
11	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
12	FORUM HOLDINGS CORPORATION	1,934,500		0.632
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		1,594,911	0.483
14	TIN FU OR TRAJANO		820,000	0.268
15	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
16	VICTOR GAN SY	400,000	200,000	0.196
17	W. DUMERMUTH		472,600	0.154
18	VICTOR G. SY	178,000	290,000	0.153
19	AB CAPITAL & INVESTMENT CORPORATION	162,000	268,000	0.140
20	MARY ANGUS BROWN		309,910	0.101

Dividends

No dividends were declared in the last two fiscal years and in the interim period.

Restriction that limits the payment of Dividends on Common Shares

There are no restrictions that limit the ability to pay dividends.

Sales of unregistered or exempt securities

There are no recent sales of unregistered or exempt securities.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Metro Alliance's Compliance Officer is mandated to monitor the compliance of all concerned to the provisions and requirements of the Manual on Corporate Governance, and to facilitate the monitoring, the Compliance Officer has established the “Corporate Governance Monitoring and Assessment” to measure or determine the level of compliance of the Corporation with the Amended Manual on Corporate Governance (Manual).

Metro Alliance believes that its Amended Manual on Corporate Governance is in line with the leading practices and principles on good governance, and as such, is in full compliance.

Metro Alliance will improve its Amended Manual on Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.

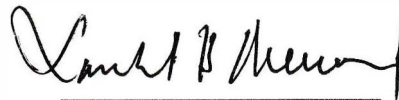
Metro Alliance filed its Integrated Annual Corporate Governance Report last May 31, 2021 covering the year 2020.

Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Annual Report 2020 SEC Form 17-A to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Metro Alliance Holdings & Equities Corporation, will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this MAY 14 2021 day of _____, 2021.



Affiant

TIN: 136-012-428

SUBSCRIBED AND SWORN to before me this MAY 14 2021 day of _____, 2021.

Doc No. 269
Page No. 55
Book No. CCCLIII
Series of 2021

NOTARY PUBLIC
EDWIN G. LUNDAYA
NOTARY PUBLIC
PASIG, PATEROS & SAN JUAN
EXTENDED UP TO JUNE 30, 2021
PTR NO. 7187109/1-2-21
IBP NO. 0560331/APP. NO. 54 2019-2020
ROLL NO. 26683
MCLE V-0004493
2ND FLOOR, ARMAL BLDG., URBANO
VELASCO AVE., MALINAO, PASIG CITY

Re: CGFD_Metro Alliance Holdings & Equities Corp_SEC Form 17-A 2020_17 May 2021

From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: metro.alliance@yahoo.com

Date: Monday, May 17, 2021, 03:26 PM GMT+8

Dear Customer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.

AUDITED FINANCIAL STATEMENTS

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metro.alliance@yahoo.com

8706 -7888

794

Any day in May

December 31

Mobile Number

09365824249

35TH FLOOR ONE CORPORATE CENTER DONA JULIA VARGAS COR. MERALCO AVE., ORTIGAS CENTER PASIG CITY

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



METRO ALLIANCE

HOLDINGS & EQUITIES CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP., AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

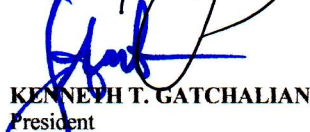
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Valdes Abad & Company, CPAs, the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ELVIRA A. TING
Chairman of the Board


KENNETH T. GATCHALIAN
President


RICHARD L. RICARDO
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in PASIG CITY City/Province, Philippines on MAY 14 2021
affiants personally appeared before me and exhibited to me their tax identification number.

Name	Tax Identification Number
1. ELVIRA A. TING	117-922-153
2. KENNETH T. GATCHALIAN	167-406-526
3. RICHARD L. RICARDO	140-853-860

WITNESS MY HAND AND SEAL on the date and at the place above written.

DOC NO: 268
PAGE NO: 53
BOOK NO: 006711
SERIES OF 21


EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS & SAN JUAN
EXTENDED UP TO JUNE 30, 2021
PTR NO. 7187109/1-2-21
IBP NO. 0560331/APP. NO. 54 2019-2020
ROLL NO. 26683
MCLE V-0004493
2ND FLOOR, ARMAL BLDG., URBANO
VELASCO AVE., MALINAO, PASIG CITY

35th Flr. One Corporate Center Doña Julia Vargas Avenue corner
Meralco Ave., Ortigas Center, Pasig City, Phils. 1605
Trunkline (02) 706-7888 * Fax No. (02) 706-5982

**INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR
FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2020, on which we have rendered the attached report dated April 14, 2021.

In compliance with Revised SRC Rule 68, we are stating that the Group has seven hundred sixty (760) stockholders owning one hundred (100) or more shares each as of December 31, 2020.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

BIR Accreditation No. 08-002126-000-2021

Issued on March 19, 2021 Valid until March 18, 2024

SEC Accreditation No. 0-361-F

Issued on August 23, 2018 Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 13, 2021, Valid until December 14, 2023

TIN No. 213-410-741-000

PTR No.8544054, Issued Date: January 8, 2021, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2021

Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines
April 14, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** which comprise the statements of financial position as of December 31, 2020, 2019 and 2018, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including as summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2020, 2019 and 2018 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) Realization of Outstanding Receivables from Polymax Worldwide

As of December 31, 2020, 2019 and 2018, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱577.1 million and ₱366.2 million which accounts for 63% and 54% of the Group's total assets. These advances were related to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in Note 2.3 of the notes to the financial statements. The analysis of the recoverability of these advances is significant to our audit because the assessment process requires use of management judgment. It is also based on assumptions of future cash inflow to be generated by Polymax in which the settlement to their obligation to the Group is dependent upon.

Audit response

We obtained an understanding of the nature of the said advances and assessed the management's plan to fully recover the outstanding balance. Our audit procedure included circulation of confirmation letter to Polymax to confirm the existence of the said advances. Likewise, this covered substantiation of partial collection made by the Group during the years 2020, 2019 and 2018. We also assessed the completeness and accuracy of the disclosures relating to the said advances in the notes to financial statements as discussed in Note 2.3.

(b) Realization of Management's Plan to Address the Going Concern

The Group's request to lift the trading suspension has been granted by the Philippine Stock Exchange which resulted to significant development for the year. The Group designed a detailed plan to address the going concern uncertainties and likewise, structured its capital build-up program as discussed in Note 2.2. The realization of the plans to be performed by the Group is significant to our audit as this materially affects our judgement to the ability of the Group to continue its operations in foreseeable future as deemed necessary by PSA 570 (Revised) *Going Concern*.

Audit response

Our audit procedures included understanding of the current market conditions in which the Group operates and assess whether management's plan to address the going concern uncertainty is feasible. We compared and tested forecasted activities to be performed with industry practices. We have reviewed the compliance of the Group to the requirements of the regulatory agencies and their correspondence with regard unresolved issues. We likewise examined documentation for the on-going litigations that could impact its cash flows from third party legal counsels.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.
- (ii) 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 entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) 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 entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 be reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

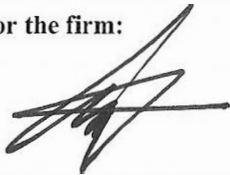
BIR Accreditation No. 08-002126-000-2021

Issued on March 19, 2021 Valid until March 18, 2024

SEC Accreditation No. 0-361-F

Issued on August 23, 2018 Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 13, 2021, Valid until December 14, 2023

TIN No. 213-410-741-000

PTR No.8544054, Issued Date: January 8, 2021, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2021

Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines
April 14, 2021

**REPORT OF INDEPENDENT PUBLIC AUDITORS
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE
BASIC FINANCIAL STATEMENTS**

The Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2020 on which we have rendered the attached report dated April 14, 2021. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Group as of December 31, 2020 and for the year ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

BIR Accreditation No. 08-002126-000-2021

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. 0-361-F

Issued on August 23, 2018 Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 13, 2021, Valid until December 14, 2023

TIN No. 213-410-741-000

PTR No. 8544054, Issued Date: January 8, 2021, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2021

Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines
April 14, 2021

**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards Auditing, the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2020, 2019 and 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by the Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the financial statements as of December 31, 2020, 2019 and 2018 and no material exceptions were noted.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

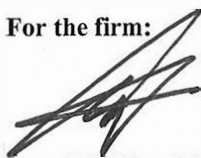
BIR Accreditation No. 08-002126-000-2021

Issued on March 19, 2021 Valid until March 18, 2024

SEC Accreditation No. 0361-F

Issued on August 23, 2018, Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AÑ

Partner

CPA Registration No. 99805

Issued on December 13, 2021, Valid until December 14, 2023

TIN No. 213-410-741-000

PTR No.8544054, Issued Date: January 8, 2021, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2021

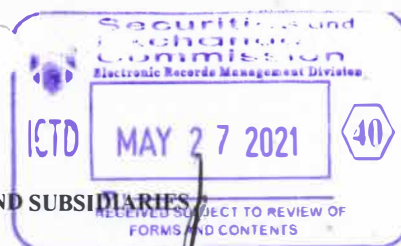
Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines
April 14, 2021

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)



ASSETS	Notes	2020	December 31, 2019	2018
CURRENT ASSETS				
Cash	12	33,101,605	32,982,656	43,193,209
Trade and other receivables, net	13	169,590,889	148,312,443	131,836,910
Other current assets, net	14	24,651,968	19,050,415	22,386,225
Total Current Assets		227,344,462	200,345,514	197,416,344
NON-CURRENT ASSETS				
Asset held for sale	15	577,074,835	366,185,828	368,819,938
Financial assets at fair value through other comprehensive income	16	20,921,885	21,209,285	22,646,285
Financial assets at amortized cost	17	-	2,038,632	-
Property and equipment, net	18	72,147,002	81,584,128	6,720,886
Deferred tax asset	23	5,558,432	5,410,936	4,615,833
Other non-current assets	19	11,737,905	6,451,961	4,939,406
Total Non-Current Assets		687,440,059	482,880,770	407,742,348
TOTAL ASSETS		914,784,521	683,226,284	605,158,692
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	20	291,646,159	274,619,489	286,301,125
Lease liability	21	34,051,307	25,452,454	-
Due to related parties	22	6,308,415	59,158,547	58,951,568
Total Current Liabilities		332,005,881	359,230,490	345,252,693
NON CURRENT LIABILITIES				
Accrued expenses, non-current portion	20	123,438,803	123,438,803	123,438,803
Lease liability, non-current portion	21	34,810,789	49,633,157	-
Due to related parties, non-current portion	22	268,260,352	-	-
Accrued retirement benefit costs	30	8,636,254	7,760,977	6,273,725
Total Non-Current Liabilities		435,146,198	180,832,937	129,712,528
EQUITY				
Share capital	24	306,122,449	306,122,449	306,122,449
Additional paid-in capital	24	3,571,923	3,571,923	3,571,923
Deficit	25	(214,668,844)	(214,870,166)	(220,343,298)
Remeasurement gain on retirement plan	30	4,205,315	4,204,357	4,104,719
Fair value reserve	16	4,650,922	4,938,322	6,375,322
Total equity attributable to Parent Company's shareholders		103,881,765	103,966,885	99,831,115
Equity attributable to non-controlling interest		43,750,677	39,195,972	30,362,356
Total Equity		147,632,442	143,162,857	130,193,471
TOTAL LIABILITIES AND EQUITY		914,784,521	683,226,284	605,158,692

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

For the Years Ended December 31,	Notes	2020	2019	2018
SALE OF SERVICES	26	273,670,106	318,405,100	286,713,151
COST OF SERVICES	27	228,227,688	260,126,859	245,352,079
GROSS PROFIT		45,442,418	58,278,241	41,361,072
FINANCE INCOME	28	164,137	229,016	131,349
FINANCE COSTS	28	(3,504,758)	(2,726,765)	-
OTHER INCOME	28	1,654,529	361,590	431,041
GENERAL AND ADMINISTRATIVE EXPENSES	29	(34,499,768)	(33,907,695)	(29,688,386)
INCOME BEFORE TAX		9,256,558	22,234,387	12,235,076
PROVISION FOR (BENEFIT FROM) INCOME TAX	23			
Current		4,645,937	7,860,795	5,650,951
Deferred		(147,496)	(795,103)	(803,982)
NET INCOME		4,758,117	15,168,695	7,388,107
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized loss on equity investment	16	(287,400)	(1,437,000)	(4,023,600)
Remeasurement gain (loss) on retirement plan, net of tax	30	1,879	195,369	(1,642)
TOTAL COMPREHENSIVE INCOME		4,472,596	13,927,064	3,362,865
Net income attributable to:				
Equity holders of the Parent Company		204,333	6,430,810	2,471,739
Non-controlling interest		4,553,784	8,737,885	4,916,368
		4,758,117	15,168,695	7,388,107
Other comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		(286,442)	(1,337,362)	(4,024,437)
Non-controlling interest		921	95,731	(805)
		(285,521)	(1,241,631)	(4,025,242)
Basic income per share				
Income for the year attributable to equity holders of the Parent Company	33	0.0007	0.0210	0.0081

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		9,256,558	22,234,387	12,235,076
Adjustments for:				
Adjustment on initial application of PFRS 16, leases	3	-	(1,078,718)	-
Write-off of receivables	13	-	-	(57,824)
Provision for probable losses on trade and other receivables	13	1,518,129	874,729	1,570,666
Provision for impairment on other current assets	14	1,450,756	-	-
Amortization of intangible assets	19	429,753	496,225	412,540
Depreciation	18	34,063,694	35,843,499	2,225,832
Gain on disposal of equipment	18	-	(297,302)	-
Written-off accrued retirement benefit	30	(672,444)	-	-
Provision for retirement benefit costs	30	1,549,600	1,682,621	1,525,367
Interest expense on lease liability	28	3,504,759	2,726,765	-
Interest income	28	(164,137)	(229,016)	(131,349)
Operating income before working capital changes		50,936,668	62,253,190	17,780,308
Changes in assets and liabilities:				
Trade and other receivables, net		(22,796,575)	(17,350,262)	(16,563,030)
Other current assets		(11,701,257)	(4,524,985)	(13,103,299)
Other non-current assets		(4,951,304)	(2,008,780)	(644,675)
Accounts payable and accrued expenses		17,026,670	(11,560,596)	21,289,230
Net Cash Flows from Operating Activities		28,514,202	26,808,567	8,758,534
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received from:				
Bank deposits	28	164,137	229,016	131,349
Proceeds from:				
Assets held for sale	15	-	2,634,110	2,551,564
Disposal of financial assets at amortized cost		2,038,632	-	-
Disposal of property and equipment	18	-	387,200	-
Acquisition of:				
Asset held for sale	15	(210,889,007)	-	-
Financial assets at FVOCI	14	-	-	-
Financial assets at amortized cost	17	-	(2,038,632)	-
Property and equipment	18	(24,626,568)	(110,796,639)	(4,522,694)
Intangible asset	19	(764,393)	-	-
Net Cash Flows from Investing Activities		(234,077,199)	(109,584,945)	(1,839,781)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid on lease liability	28	(3,504,759)	(2,726,765)	-
Availment of (payment of) lease liability	21	(6,223,515)	75,085,611	-
Advances (repayments) of related parties	31	215,410,220	206,979	(264,151)
Net Cash Flows from Financing Activities		205,681,946	72,565,825	(264,151)
NET INCREASE (DECREASE) IN CASH		118,949	(10,210,553)	6,654,602
CASH AT BEGINNING OF YEAR	12	32,982,656	43,193,209	36,538,607
CASH AT END OF YEAR	12	33,101,605	32,982,656	43,193,209

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

	Attributable to Equity Holders of the Parent Company						Minority Interests	Total Equity
	Share Capital (Note 24)	Additional Paid- in Capital (Note 24)	Deficit (Note 25)	Remeasurement Gain (Loss) on		Subtotal		
				Retirement Plan (Note 30)	Fair Value Reserve (Note 16)			
BALANCES AS OF DECEMBER 31, 2018	306,122,449	3,571,923	(220,343,298)	4,104,719	6,375,322	99,831,115	30,362,356	130,193,471
Prior period adjustment			121,040			121,040		121,040
Adjustment on initial application of PFRS 16, leases (Note 3)	-	-	(1,078,718)			(1,078,718)		(1,078,718)
ADJUSTED BALANCES AT JANUARY 1, 2019	306,122,449	3,571,923	(221,300,976)	4,104,719	6,375,322	98,873,437	30,362,356	129,235,793
Net income	-	-	6,430,810	-		6,430,810	8,737,885	15,168,695
Other comprehensive income	-	-		99,638	(1,437,000)	(1,337,362)	95,731	(1,241,631)
BALANCES AS OF DECEMBER 31, 2019	306,122,449	3,571,923	(214,870,166)	4,204,357	4,938,322	103,966,885	39,195,972	143,162,857
Expired unutilized deferred MCIT	-	-	(3,011)			(3,011)		(3,011)
Net income	-	-	204,333			204,333	4,553,784	4,758,117
Other comprehensive income	-	-		958	(287,400)	(286,442)	921	(285,521)
BALANCES AS OF DECEMBER 31, 2020	306,122,449	3,571,923	(214,668,844)	4,205,315	4,650,922	103,881,765	43,750,677	147,632,442

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2020, 2019 and 2018

NOTE 1 – CORPORATE INFORMATION

METRO ALLIANCE HOLDINGS & EQUITIES CORP. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management had ceased operations.

The new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Parent Company’s Articles of Incorporation in regard to the change of Group’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

On June 4, 2018, the Exchange has resolved to grant the Parent Company’s request to lift the trading suspension of its shares after a careful consideration of the facts and circumstances of the Parent Company’s case and a comprehensive review of the Parent Company’s disclosures and representations vis-à-vis the requirements under the Disclosure Rules. The Exchange considered, among others: (i) the Parent Company’s compliance with the disclosure requirements of the Exchange, thus addressing the grounds and reasons why the Exchange imposed the trading suspension on May 21, 2007; and (ii) the SEC’s decision setting aside the Order of Revocation on the Parent Company’s registration and permit to sell securities. The Exchange has likewise noted the Parent Company’s representations regarding its business plans, including its capital build-up program.

The accompanying consolidated financial statements as of December 31, 2020 (including comparative amounts as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were approved and authorized for issue by the Board of Directors (BOD) on April 14, 2021.

NOTE 2– STATUS OF OPERATIONS

2.1 Going Concern

The accompanying Consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2020 and 2019, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱577.1 million and ₱366.2 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including accrued interest and penalties, amounting to ₱994.7 million for both years, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant and applied these against the Parent Company’s advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions.

As explained in Note 15, the remaining 20% of Polymax’s interest in the petrochemical plant is for sale. The realization of the Parent Company’s advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale Polymax’s remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company major stockholders in favor of the Parent Company.

In 2020 and 2019, the Parent Company was able to collect partially their advances from Polymax amounting to ₱57,371,345 and ₱2,634,110, respectively.

2.2 Management Plan to Address Going Concern Uncertainties

In the management letter last year, the management summarized the projected plans of the Parent Company. Fortunately, significant development has happened principally due to the lifting of the suspension of the trading of the Parent Company's shares on the Philippine Stock Exchange (PSE).

Projected Plan for next 12 months

The Parent Company still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2020. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also, in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Actions of the Company

The Parent Company has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Parent Company's resources and build confidence for its business direction:

- a) Commitment by the majority shareholders of the Parent Company to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Parent Company's equity be preserved;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCAC to its principal shareholders to pave the way for restructured financial statements;
- c) Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- d) Removing the "A" and "B" classification of the Parent Company shares to integrate common shares into just one class;
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Parent Company will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Parent Company is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

While the COVID-19 virus and the curtailment of worldwide mobility have created a difficult business environment, the Parent Company remains positive that a recovery is imminent, given the continuous rollout of vaccines this year.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of ₱577,074,835 as of December 31, 2020

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the Parent Company the direct shareholders of NPCA. The estimated present value of the 20% NPCA shares is placed at \$20 Million.

Manpower Requirements

The Parent Company does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Parent Company will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

COVID-19 Impact

The Group's management has also considered the consequences of COVID-19 and other events and made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue their business for the foreseeable future. The impact of COVID-19 on future performance and on the measurement of some assets and liabilities might be significant and might therefore require disclosure in the financial statements, but the management has determined that they do not create a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

2.3 Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring Company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 15.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85 million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

NOTE 3 – BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

3.2 Basis of preparation

The consolidated financial statements of the Group have been prepared using the measurement bases specified by Philippine Financial Reporting Standards (PFRS) for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

3.3 Going Concern Assumption

The preparation of the accompanying condensed consolidated financial statements of the Group is based on the premise that the Group operates on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

3.4 Functional and presentation currency

The consolidated financial statements are prepared in Philippine Peso (₱), which is the Group's functional and presentation currency.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

All values are presented in absolute amounts and are rounded off to the nearest peso except when otherwise indicated.

3.5 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries, after the elimination of intercompany transactions:

	Percentage of Ownership	
	2020	2019
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized

in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Investment in subsidiary

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 (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

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

Non-controlling interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

3.6 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each

of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

Loss of control and disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the subsidiary, it:

- derecognizes the assets, including goodwill, and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of the any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss retained earnings, as appropriate.

3.7 Use of judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Group's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Group significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 5.

3.8 Adoption of new and revised accounting standards

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements:

New and Revised Accounting Standards Effective in 2020

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning January 1, 2020:

- *Conceptual Framework for Financial Reporting* – The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements of any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- *Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

- *IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (amendments), References to the Conceptual Framework in PFRS* – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

- *Amendments to PFRS 3, Business Combinations - Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- *PFRS 9, PAS 39 and PFRS 7 (amendments), Interest Rate Benchmark Reform*. – The amendments will affect entities that apply the hedge accounting requirements of PFRS 9 or PAS 39 to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

New and Amended Standards Effective Subsequent to 2020 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2020 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective beginning on or after June 1, 2020

Amendments to PFRS 16, COVID-19-related Rent Concessions – the amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which PFRS 16 Leases defines as “a change in the scope of a lease, or the consideration

for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”.

The changes in Covid-19-Related Rent Concessions amend PFRS 16 to:

- 1) provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- 2) require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- 3) require lessees that apply the exemption to disclose that fact; and
- 4) require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as the adjustment to the opening balance of the accumulated profits or other component of equity, as appropriate.

The amendments have no effect or impact to the Group’s financial statements.

Effective beginning on or after January 1, 2021

PFRS 9, PFRS 7, PFRS 4 and PFRS 16 (amendments), Interest Rate Benchmark Reform – Phase 2

The amendments provide in the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- Relief from discontinuing hedging relationships;
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively.

Effective beginning on or after January 1, 2022

Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use - the purpose of the amendments is to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract – the amendment is regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to PFRS 3, Reference to the Conceptual Framework with amendments to PFRS 3 'Business Combinations – the amendments update an outdated reference in PFRS 3 without significantly changing its requirements. The changes are: update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the

liabilities it has assumed in a business combination; and add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2023

Amendments to PAS 1, Classification of Liabilities as Current or Non-current – the amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. To:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to PFRS 17, Insurance Contracts – the amendments' purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination; extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Deferred

PFRS 10 (amendments), Consolidated Financial Statements, and PAS 28 (amendments), Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Annual Improvements to PFRS

The annual improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2018-2020 Cycle

The Annual Improvements to PFRSs (2018-2020 Cycle) are effective for annual periods beginning on or after January 1, 2022, with retrospective application. The amendments to the following standards:

- PFRS 1, Subsidiary as a first-time adopter - The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1: D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).
- PFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the consolidated financial statements.

- PFRS 16, Lease Incentives - The amendment removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- PAS 41, Taxation in fair value measurements - The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are not expected to have a material impact on the consolidated financial statements.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

4.1 Financial assets and financial liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely

depends on the Group's business model and its contractual cash flow characteristics.

As of December 31, 2020 and 2019, the Group does not have financial assets and liabilities measured at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of December 31, 2020 and 2019, the Group's cash, trade and other receivables, refundable deposits and investment in debt securities are included under this category.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income. As at December 31, 2020 and 2019, the Group has no financial assets at FVPL.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

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

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI

and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of December 31, 2020 and 2019, the Group's equity investments at FVOCI are included under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of December 31, 2020 and 2019, the Group's accounts payable and accrued expenses, lease liability and due to related parties are included under this category.

4.2 Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

4.3 Impairment of financial assets at amortized cost and FVOCI

The Group records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For loan receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss

experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

4.4 Derecognition of financial assets and liabilities

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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 amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

4.5 Offsetting financial instrument

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

4.6 Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

4.7 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

4.8 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Group at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statements of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in the OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 par value is determined.

4.9 Fair value measurement

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statement 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 prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

4.10 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee (ExeCom), its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 6, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, Operating Segments, are the same as those used in its consolidated financial statements.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.11 Cash

Cash includes cash funds, undeposited cash collections and customers' checks. Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate.

The Group recognized cash as current asset when it is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

4.12 Trade and other receivables, net

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment is considered when there is objective evidence that the Group will not be able to collect the debts.

4.13 Other current assets, net

Other assets are recognized when the Group expects to receive future economic benefit from the other party, and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

4.14 Asset held for sale

An asset is classified as asset held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

4.15 Property and equipment, net

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

<u>Particulars</u>	<u>Number of Years</u>
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	3 to 5
Office furniture, fixtures and equipment	3 to 5
Right-of-use assets	2 to 5

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. Further, amortization of right-of-use assets is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

4.16 Intangible assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

4.17 Impairment of non-financial asset

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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 cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

4.18 Accounts payable and accrued expenses

Accounts payable and accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with supplier including amounts due to employees. It is necessary to estimate the amount of accruals; however, the uncertainty is generally much less than for provision.

4.19 Equity

Share capital

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net

Retained earnings (deficit)

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has debit balance, it is called “deficit”, and presented as a deduction from equity of tax, from the proceeds.

4.20 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, duties and sales taxes. Revenue includes only the gross inflow of the economic benefits received and receivable by the Company on its own account. Amounts collected on behalf of third parties, such as reimbursable transactions are not economic benefits to the Group and do not result in increase in equity; therefore, they are excluded from revenue.

- Logistics and other services is recognized when the related services are rendered.
- Dividend income is recognized when the right to receive the payment is established.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.
- Other income is recognized when earned.

4.21 Cost and expenses

Costs and expenses are decreases in economic benefits during the year in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity other than those relating to distribution to equity participants. Costs and general and administrative expenses and interest expense are recognized in consolidated statements of comprehensive income in the period these are incurred.

- *Cost of services* - include direct material costs, personnel expenses, depreciation, utilities and other service-related costs. These are recognized when the services are used or the expenses are incurred.
- *General and administrative expenses* - Expenses incurred in the direction and general administration of day-to-day operation of the Company are generally recognized when the services are used or the expenses incurred.

4.22 Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

As a lessee

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

(a) Right-of-use asset

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

(b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4.23 Retirement benefits cost

Employee benefits are all forms of considerations given by the Group in exchange for service rendered by the employees. It includes short-term employee benefits and post-employment benefits.

Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefits, or other long-term employee benefits.

Retirement benefits

The Group does not have a defined contribution plan or any formal retirement plan that covers the retirement benefits of its employees. However, under the existing regulatory framework, Republic Act No. 7641, otherwise known as the Philippine Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining agreement and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan.

Republic Act No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group.

The Group provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

4.24 Income tax

Current income tax

Current income tax assets and liabilities for the current period is 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.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when 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 from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), 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 from MCIT and NOLCO and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences 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 allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

4.25 Value Added Taxes (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

For acquisition of capital goods over ₱1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

Output tax pertains to the 12% VAT received or receivable on the local sale of goods or services by the Group. Input tax pertains to the 12% VAT paid or payable by the Group in the course of its trade or business on purchase of goods or services. At the end of each taxable period, if output tax exceeds input tax, the outstanding balance is paid to the taxation authority. If input tax exceeds output tax, the excess shall be carried over to the succeeding months.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'other current assets' or 'accounts payable and accrued expenses' in the comprehensive statements of financial position.

4.26 Related parties

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Group and close members of the family of any individuals owning directly or indirectly a significant voting power of the Group that gives them significant influence in the financial and operating policy decisions of the Group are also considered to be related parties.

An entity is related to the Group if any of the following conditions apply:

- The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member)
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group
- The entity is controlled or jointly controlled by a person identified above
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner, and dependents of that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Group when it directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Group. Transactions between related parties are based on terms similar to those offered to non-related entities in an economically comparable market, except for non-interest-bearing advances with no definite repayment terms.

4.27 Earnings per share (EPS) attributable to equity holders

Basic EPS is calculated by dividing the profit attributable to the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted EPS for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

The Group has no dilutive potential common shares outstanding.

4.28 Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a Group asset but only when the receipt of the reimbursement is virtually certain.

4.29 Contingencies

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

4.30 Events after the reporting date

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

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with PFRS requires the Group's management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Judgments

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

Going concern

As of December 31, 2020, the Group's management has made an assessment on the Group's ability to continue as a going concern in the current evolving environment especially on the impact of COVID-19 pandemic and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of functional currency

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

Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

Classifying financial instruments

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Assessing significant influence and control over investee.

The Group determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

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

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Group owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. While the Group has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, in 2007 up to the current year, the SPE was no longer consolidated because it had ceased operating as a going concern (see Note 15).

Determination whether an agreement contains a lease

The determination of whether a contract is, or contains a lease, is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has entered into a lease arrangement as a lessor and a lessee.

Accounting for lease commitments

Group as a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

The rent income recognized for the years ended December 31, 2020, 2019 and 2018 amounted to ₱48,205,450, ₱39,517,592 and ₱44,348,911, respectively (Note 34)

Group as a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

In 2019, the Group entered into lease agreements with terms ranging from 2 to 5 years, ending April 2020, May 2021 and October and November 2024. All are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Leases are further disclosed in Notes 21 and 34.

Repairs and maintenance

Costs of repairs and maintenance that do not result in an increase in the future economic benefit of an item of property and equipment is charged to operations in the period it is incurred. Otherwise, it is capitalized as part of the asset.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value of financial instruments

PFRS requires that financial assets and financial liabilities be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any change in the fair values of financial assets and financial liabilities directly affects profit or loss, equity, and the required disclosures.

Where the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair values are determined using valuation techniques that are generally-accepted market valuations including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair values of financial assets and financial liabilities by category and their fair value hierarchy are set out in Note 11 to the financial statements.

Impairment of equity investments

The Group treats equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” generally as a decline of 20% or more below of the original cost of the investment, and “prolonged” as period longer than 12 months. In addition, the Group evaluates other factors for equity investments with no quoted bid prices such as changes in the issuer’s industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Assessing ECL on financial assets

The Group applies the general approach in measuring the ECL. For cash in banks the Group assessed that cash is deposited with reputable banks that possess good credit ratings. For loan receivable, accrued interest receivable, advances to contractors and related parties, the Group considers the financial capacity of the counterparty. No ECL was recognized in 2020 and 2019. The carrying amounts of the Group’s financial assets are as follows:

	Note	<u>2020</u>	<u>2019</u>
Cash in banks	12	₱ 32,933,605	₱ 32,786,656
Trade and other receivables, net	13	169,590,889	148,312,443
Refundable deposits	14,19	10,992,898	10,317,496

Estimating allowance for probable losses

The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱150,522,844 and ₱149,004,715 as of December 31, 2020 and 2019, respectively) amounted to ₱169,590,889 and ₱148,312,443 as of December 31, 2020 and 2019, respectively (see Note 13).

The carrying amount of other current assets amounted to ₱24,651,968 and ₱19,050,415 as of December 31, 2020 and 2019, respectively as discussed in Note 14.

In 2020 and 2019, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱14,336,880 and ₱12,886,123, respectively, as shown also in Note 14.

Advances to Polymax (under asset held for sale) amounting to ₱577,074,835 and ₱366,185,828 as of December 31, 2020 and 2019, respectively, constitute 63% and 54% of the Group’s total assets at the end of 2020 and 2019, respectively. The realization of the Parent Company’s advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax’s remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company’s major stockholders in favor of the Parent Company, as discussed in Note 15.

Estimating useful lives and residual values of property and equipment and intangible assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and

amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in 2020 and 2019.

Evaluation of impairment of noncurrent non-financial assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction 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. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, property and equipment, net of accumulated depreciation, amounted to ₱72,147,002 and ₱81,584,128, respectively, (Note 18) and total depreciation charged to operations amounted to ₱34,063,694, ₱35,843,499 and ₱2,225,832 (Note 18) for periods ending December 31, 2020 and 2019, respectively.

Assessing realizability of deferred tax assets

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the amount 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 assets to be utilized in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

The recognized net deferred tax assets amounted to ₱5,558,432, ₱5,410,936, and ₱4,615,833 as of December 31, 2020, 2019, and 2018, respectively (Note 23).

The Group did not recognize deferred tax assets of the Group and its non-operating subsidiaries amounting to ₱42,046,706, ₱51,118,261, and ₱51,717,634 as of December 31, 2020, 2019 and 2018, respectively, as management believes that the Group and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in Note 23.

Incremental borrowing rate of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Group on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In 2020 and 2019, the Group's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱68,862,096 and ₱75,085,611 is ranging from 3% to 5% (Note 21).

Retirement benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 30 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱8,636,254, ₱7,760,977, and ₱6,273,725 as of December 31, 2020, 2019 and 2018, respectively (Note 30).

5.3 Provision and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The policy on the recognition and disclosure of provisions is discussed in Note 4.

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 35. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

NOTE 6 – BUSINESS COMBINATION

The Parent Company, Metro Alliance Holdings and Equities Corp., acquired the subsidiaries and are accounted using the acquisition method. The following subsidiaries are as follows:

Metro Combined Logistics Solutions, Inc. (MCLSI) (Formerly GAC Logistics, Inc. (GACL)

MCLSI is 51% owned by the Parent Company, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI was registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the business of contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value-added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

Mabuhay Vinyl Corporation (MVC)

Mabuhay Vinyl Corporation was 42.69% owned by the Parent Company as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007. The remaining 5% was subsequently sold in 2012.

Non-operating subsidiaries

Consumer Products Distribution Services, Inc. (CPDSI)

CPDSI is a wholly owned subsidiary of the Parent Company. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). On November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business. Currently, CPDSI has no business operations.

FEZ-EAC Holdings, Inc.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Parent Company on November 11, 2002. It was incorporated on February 3, 1994. It ceased operations at the end of 2001 following the expiration of the third -party logistics contract of its subsidiary with Phillip Morris Philippines, Inc.

Zuellig Distributors, Inc.

Zuellig Distributors, Inc. is a wholly owned subsidiary of the Parent Company. It ceased operations on June 30, 1999 following the expiration of its exclusive distribution agreement with its single principal. It was incorporated on October 18, 1985.

Asia Healthcare, Inc.

Asia Healthcare, Inc. is 60% owned by the Parent Company. AHI was first incorporated on July 2, 1918. In August 2000, the Parent Company invested in AHI. However, in 2002, it ceased operations due to heavy losses. The low volume and minimal margin on the sales of pharmaceutical products have not been sufficient to cover the costs of the services and products provided by AHI. Consequently, AHI was constrained to terminate contracts with its clients and cease its business operations. On December 17, 2002, AHI filed a voluntary petition

for insolvency with the Pasig City Regional Trial Court (RTC). On February 27, 2003, the Pasig City RTC declared AHI as insolvent.

NOTE 7 – SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

In determining whether an NCI is material to the Parent Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Parent Company's interests in these entities, and the effects of those interests on the Parent Company's financial position. Factors considered include, but not limited to, carrying value of the subsidiary's NCI relative to the NCI recognized in the Parent Company's consolidated financial statements, the subsidiary's contribution to the Parent Company's consolidated revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on management's assessment, the Group has concluded that MCLSI is considered a subsidiary with NCI that is material to the Parent Company.

The ability of the subsidiary to pay dividends or make other distributions or payments to their shareholders (including the Parent Company) is subject to applicable law and other restrictions contained in financing agreements, shareholder agreements and other agreements that prohibit or limit the payment of dividends or other transfers of funds.

The summarized financial information of MCLSI is presented below, before inter-company eliminations but after consolidation adjustments for goodwill, other fair value adjustments on acquisition and adjustments required to apply uniform accounting policies at group level.

	2020	2019
Equity share held by NCI	49%	49%
Summarized Statements of Financial Position:		
Current assets	₱ 185,127,133	₱ 156,658,980
Non-current assets	89,347,409	95,926,646
Current liabilities	136,647,685	111,097,709
Non-current liabilities	43,447,043	56,424,449
Total Equity	94,379,814	85,063,468
Equity attributable to Parent Company shareholders	48,133,705	43,382,369
Equity attributable to NCI	46,246,109	41,681,100
Summarized Statements of Comprehensive Income:		
Revenues	273,670,106	318,405,100
Net income	9,314,467	17,832,826
Income attributable to Parent Company shareholders	4,750,378	9,094,741
Income attributable to NCI	4,564,089	8,738,085
Dividends declared to NCI	-	-
Dividends paid to NCI	-	-
Summarized Statements of Cash Flows:		
Operating activities	56,934,766	46,384,777
Investing activities	23,003,338	112,213,728
Financing activities	33,752,619	55,587,620
Net increase (decrease) in cash	178,809	(10,241,331)

NOTE 8 – SEGMENT INFORMATION

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2020, 2019 and 2018.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, other current assets, asset held for sale and property and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses, due to related parties and long-term debt.

The financial information with regard to the Group's significant business segments as of December 31, 2020, 2019 and 2018 and for the years then ended is presented below.

	2020		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 273,670,106	₱ -	₱ 273,670,106
Results:			
Segment result	11,996,503	(4,844,132)	7,152,371
Other income	1,818,284	382	1,818,666
Provision for income tax	(4,498,441)	-	(4,498,441)
Net income	<u>9,316,346</u>	<u>(4,843,750)</u>	<u>4,472,596</u>
Other Information:			
Segment assets	274,474,542	640,309,979	914,784,521
Segment liabilities	180,094,728	587,057,351	767,152,079
Capital expenditures	24,626,568	-	24,626,568
Depreciation and amortization	34,493,448	-	34,493,448
Noncash items other than depreciation and amortization	2,968,885	-	2,968,885
	2019		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 318,405,100	₱ -	₱ 318,405,100
Results:			
Segment result	24,503,629	(4,101,479)	20,402,150
Other income	590,258	348	590,606
Provision for income tax	(7,065,692)	-	(7,065,692)
Net income	<u>18,028,195</u>	<u>(4,101,131)</u>	<u>13,927,064</u>
Other Information:			
Segment assets	252,585,626	430,640,658	683,226,284
Segment liabilities	167,522,158	372,541,269	540,063,427
Capital expenditures	108,177,411	-	108,177,411
Depreciation and amortization	36,164,081	-	36,164,081
Noncash items other than depreciation and amortization	874,729	-	874,729

	2018		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 286,713,151	₱ -	₱ 286,713,151
Results:			
Segment result	14,317,204	(6,669,760)	7,647,444
Other income	562,016	374	562,390
Provision for income tax	(4,846,969)	-	(4,846,969)
Net income	<u>10,032,251</u>	<u>(6,669,386)</u>	<u>3,362,865</u>
Other Information:			
Segment assets	170,631,216	434,527,476	605,158,692
Segment liabilities	102,517,226	372,447,995	474,965,221
Capital expenditures	4,389,124	-	4,389,124
Depreciation and amortization	2,504,802	-	2,504,802
Noncash items other than depreciation and amortization	1,989,072	-	1,989,072

NOTE 9 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are composed of cash and cash equivalents, receivable and payables. The main purpose of these financial instruments is to raise finances for the Group's operations. The risks arising from the use of financial instruments are managed through a process of on-going identification, measurement, and monitoring. This process of risk management is critical to the Group's continuing profitability.

The BOD is ultimately responsible for overall risk management approach, monitoring risk exposures, and approving risk mitigation strategies and policies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

9.1 Objectives and policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group is cash. This financial instrument is used mainly for working capital management purposes. Trade-related financial assets and financial liabilities of the Group such as trade and other receivables and trade and other payables, excluding statutory liabilities, arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

9.2 Interest Rate Risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of December 31, 2020 and 2019, the Group has no significant interest rate risk exposures since the interest rates are fixed up to the date of maturity.

9.3 Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below shows the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

Particulars	2020			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial assets at amortized cost:				
Cash*	₱ 32,933,605	₱ -	₱ -	₱ 32,933,605
Trade and other receivables (gross)	-	170,939,996	-	170,939,996
Refundable deposits	-	124,898	10,868,000	10,992,898
Subtotal	32,933,605	171,064,894	10,868,000	214,866,499
Financial assets at FVOCI	-	-	20,921,885	20,921,885
Total	32,933,605	171,064,894	31,789,885	235,788,384
Financial liabilities:				
Accounts payable and accrued expenses**	₱ -	₱ 274,273,125	₱ 123,438,803	₱ 397,711,928
Lease liability	-	34,051,307	34,810,789	68,862,096
Due to related parties	-	6,308,415	268,260,352	274,568,767
Total	-	314,632,847	426,509,944	741,142,791
Net Position	₱ 32,933,605	₱ (143,567,953)	₱ (394,720,059)	₱ (505,354,407)

*Excludes cash on hand

**Excludes government liabilities

Particulars	2019			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial assets at amortized cost:				
Cash*	₱ 32,786,656	₱ -	₱ -	₱ 32,786,656
Trade and other receivables (gross)	-	148,143,220	-	148,143,220
Financial assets at amortized cost	-	-	2,038,632	2,038,632
Refundable deposits	-	4,400,801	5,916,695	10,317,496
Subtotal	32,786,656	152,544,021	7,955,327	193,286,004
Financial assets at FVOCI	-	-	21,209,285	21,209,285
Total	32,786,656	152,544,021	29,164,612	214,495,289
Financial liabilities:				
Accounts payable and accrued expenses**	₱ -	₱ 257,785,544	₱ 123,438,803	₱ 381,224,347
Lease liability	-	25,452,454	49,633,157	75,085,611
Due to related parties	-	59,158,547	-	59,158,547
Total	-	342,396,545	173,071,960	515,468,505
Net Position	₱ 32,786,656	₱ (189,852,524)	₱ (143,907,348)	₱ (300,973,216)

*Excludes cash on hand

**Excludes government liabilities

9.4 Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements).

As at December 31, 2020 and 2019, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired.

- a. Financial information on the Group's maximum exposure to credit risk as of December 31, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques are presented below.

Particulars	2020	2019
Cash	₱ 33,101,605	₱ 32,982,656
Receivables	169,590,889	148,312,443
Debt investment	-	2,038,632
Refundable deposits	10,992,898	10,317,496
Total	₱ 213,685,392	₱ 193,651,227

The Group does not hold any collateral as security or other credit enhancements attached to its financial assets.

The credit risk for is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

b. Credit quality per class of financial assets

Description of the credit quality grades used by the Group follows:

Financial assets at FVOCI

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.
Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Group. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Financial assets at amortized cost

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The following table show a comparison of the credit quality of the Group's financial assets by class as at the reporting date:

As at December 31, 2020				
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash*	₱ 32,933,605	₱ -	₱ -	₱ 32,933,605
Trade receivables (gross)	-	130,172,584	-	130,172,584
Other receivables (gross)	-	-	40,767,412	40,767,412
Refundable deposit	10,992,898	-	-	10,992,898
Subtotal	43,926,503	130,172,584	40,767,412	214,866,499
Financial assets at FVOCI	20,921,885	-	-	20,921,885
Total	₱ 64,848,388	₱ 130,172,584	₱ 40,767,412	₱ 235,788,384

*Excludes cash on hand

As at December 31, 2019				
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash*	₱ 32,786,656	₱ -	₱ -	₱ 32,786,656
Trade receivables (gross)	-	107,151,896	-	107,151,896
Other receivables (gross)	-	-	40,991,324	40,991,324
Financial assets at amortized cost	2,038,632	-	-	2,038,632
Refundable deposit	10,317,496	-	-	10,317,496
Subtotal	45,142,784	107,151,896	40,991,324	193,286,004
Financial assets at FVOCI	21,209,285	-	-	21,209,285
Total	₱ 66,352,069	₱ 107,151,896	₱ 40,991,324	₱ 214,495,289

*Excludes cash on hand

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults.

The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

NOTE 10 – CAPITAL MANAGEMENT OBJECTIVES, POLICIES, & PROCEDURES

The Group's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debt, return capital to shareholders or issue new shares.

The Group considers its equity as capital.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below:

		<u>2020</u>		<u>2019</u>
Total liabilities	₱	767,152,079	₱	540,063,427
Total equity		<u>147,632,442</u>		<u>143,162,857</u>
Debt-to-equity ratio		<u>5.20:1</u>		<u>3.77:1</u>

The Group has remained steadfast to regain its equity funding. Several actions were taken to conserve and manage the capital structure (Note 2).

NOTE 11 – FAIR VALUE MEASUREMENT

11.1 Carrying amounts and fair values by category

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments for the years ended December 31, 2020 and 2019:

Particulars	<u>2020</u>		<u>2019</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Financial assets at amortized cost				
Cash	₱ 33,101,605	₱ 33,101,605	₱ 32,982,656	₱ 32,982,656
Trade and other receivables, net	169,590,889	169,590,889	148,312,443	148,312,443
Financial assets at amortized cost	-	-	2,038,632	2,038,632
Refundable deposits	<u>10,992,898</u>	<u>10,992,898</u>	<u>10,317,496</u>	<u>10,317,496</u>
Subtotal	213,685,392	213,685,392	193,651,227	193,651,227
Financial assets at FVOCI	<u>20,921,885</u>	<u>20,921,885</u>	<u>21,209,285</u>	<u>21,209,285</u>
Total	₱ <u>234,607,277</u>	₱ <u>234,607,277</u>	₱ <u>214,860,512</u>	₱ <u>214,860,512</u>

Particulars	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Accounts payable and accrued expenses	₱ 415,084,962	₱ 415,084,962	₱ 398,058,292	₱ 398,058,292
Lease liability	68,862,096	68,862,096	75,085,611	75,085,611
Due to related parties	274,568,767	274,568,767	59,158,547	59,158,547
Total	₱ 758,515,825	₱ 758,515,825	₱ 532,302,450	₱ 532,302,450

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

Financial assets at FVOCI

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted equity securities are carried at cost, subject to impairment.

Financial assets at amortized cost

The carrying value of debt investment approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Due from/to related parties. The carrying amounts of these related party transactions approximate their fair values.

11.2 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy Group's financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for asset or liability that are not based on observable market data (unobservable inputs).

The following table summarizes the fair value hierarchy of the Group's financial assets and liabilities, which are measured at fair value or requires disclosure as prescribed by other PFRS, as at December 31, 2020 and 2019:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost:				
Cash	₱ 33,101,605	₱ -	₱ -	₱ 33,101,605
Trade and other receivables, net	-	-	169,590,889	169,590,889
Refundable deposits	-	-	10,992,898	10,992,898
Subtotal	33,101,605	-	180,583,787	213,685,392
Financial assets at FVOCI	20,921,885	-	-	20,921,885
Total	₱ 54,023,490	₱ -	₱ 180,583,787	₱ 234,607,277

Financial liabilities at amortized cost:

Accounts payable and accrued expenses	₱	-	₱	-	₱	415,084,962	₱	415,084,962
Lease liability		-		-		68,862,096		68,862,096
Due to related parties		-		-		274,568,767		274,568,767
Total	₱	-	₱	-	₱	758,515,825	₱	758,515,825

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost:				
Cash	₱ 32,982,656	₱ -	₱ -	₱ 32,982,656
Trade and other receivables, net	-	-	148,312,443	148,312,443
Financial assets at amortized cost	2,038,632	-	-	2,038,632
Refundable deposits	-	-	10,317,496	10,317,496
Subtotal	35,021,288	-	158,629,939	193,651,227
Financial assets at FVOCI	21,209,285	-	-	21,209,285
Total	₱ 56,230,573	₱ -	₱ 158,629,939	₱ 214,860,512
Financial liabilities at amortized cost:				
Accounts payable and accrued expenses	₱ -	₱ -	₱ 398,058,292	₱ 398,058,292
Lease liability	-	-	75,085,611	75,085,611
Due to related parties	-	-	59,158,547	59,158,547
Total	₱ -	₱ -	₱ 532,302,450	₱ 532,302,450

As at December 31, 2020 and 2019, there are no financial assets or financial liabilities measured at fair value. There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2020 and 2019.

Financial instruments not measured at fair value for which fair value is disclosed

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine fair value of such instruments are not based on observable market data.

NOTE 12 – CASH

As of December 31, the account consists of:

Particulars	2020	2019
Cash on hand	₱ 168,000	₱ 196,000
Cash in banks	32,933,605	32,786,656
Total	₱ 33,101,605	₱ 32,982,656

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱164,137, ₱229,016 and ₱131,349 in 2020, 2019 and 2018, respectively (Note 28).

NOTE 13 – TRADE AND OTHER RECEIVABLES, NET

As of December 31, the account consists of:

Particulars	2020	2019
Trade receivables	₱ 130,172,584	₱ 107,151,896
Notes receivable	143,865,021	143,865,021
Due from related parties (Note 31)	5,308,716	5,308,917
Other receivables	40,767,412	40,991,324
Subtotal	320,113,733	297,317,158
Less: Allowance for probable losses	(150,522,844)	(149,004,715)
Total	₱ 169,590,889	₱ 148,312,443

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivables are considered impaired and covered with allowance for probable losses; accordingly, no interest income was recognized in 2020 and 2019.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses are as follows:

Particulars	2020	2019
Balance at beginning of year	₱ 149,004,715	₱ 148,129,986
Reversal of allowance	-	-
Provision for the year (Note 29)	1,518,129	874,729
Write-off during the year	-	-
Balance at end of year	₱ 150,522,844	₱ 149,004,715

NOTE 14 – OTHER CURRENT ASSETS, NET

As of December 31, the account consists of:

Particulars	2020	2019
Creditable withholding taxes	₱ 9,332,516	₱ 9,300,295
Input taxes	8,404,787	8,306,739
Prepayments and others	21,126,647	9,928,703
Refundable deposits	124,898	4,400,801
Subtotal	38,988,848	31,936,538
Less: Allowance for impairment	(14,336,880)	(12,886,123)
Total	₱ 24,651,968	₱ 19,050,415

Input tax is the 12% value added tax (VAT) on purchase of goods or services in the course of its trade or business. At the end of each taxable period, input tax can be applied against output tax.

Prior year's excess credits represent excess tax payments and credits over tax liabilities of the immediately preceding taxable period which may be refunded, converted to tax credit certificates, or carried over to the next taxable year.

Security deposits represent noninterest-bearing deposits made on lease and are usually refundable after the end of contract or services less any charges. Construction bonds represent noninterest-bearing bonds that are used to secure against damages during construction and will be refundable after the end of construction, net of any charges.

The movements in the allowance for impairment are as follows:

Particulars	2020	2019
Balance at beginning of year	₱ 12,886,123	₱ 12,886,123
Reversal of allowance	-	-
Provision for the year (Note 29)	1,450,757	-
Write-off during the year	-	-
Balance at end of year	₱ <u>14,336,880</u>	₱ <u>12,886,123</u>

NOTE 15 – ASSET HELD FOR SALE

Asset held for sale amounting to ₱577,074,835 and ₱366,185,828 as of December 31, 2020 and 2019, respectively, which constitutes 63% and 54% of the Group's total assets as of December 31, 2020 and 2019, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

On December 16 and 22, 2015, the Parent Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

In 2020 and 2019, the Parent Company made additional collections of the advances from Polymax amounting to ₱57,371,345 and ₱2,634,110, respectively.

Condensed unaudited financial information of Polymax as of December 31, 2020 and 2019 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2020	2019
Assets		
Cash and cash equivalents	₱ 130,966,060	₱ 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	319,097,694	108,208,687
Total assets	<u>797,783,754</u>	<u>586,894,747</u>
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	577,074,835	366,185,828
Other payable	49,030,000	49,030,000
Total liabilities	<u>1,620,773,281</u>	<u>1,409,884,274</u>
Capital deficiency	₱ <u>822,989,527</u>	₱ <u>822,989,527</u>

Assets held for sale of Polymax pertains to the estimated recoverable value of Polymax's remaining 20% interest in NPCA.

Due from related parties of Polymax represents amount due from the Wellex Group of companies.

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities.

Polymax's share in the net loss and net income of NPCA amounted to ₱78,426,373 and ₱98,859,341 in 2020 and 2019, respectively. However, these were not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value.

NOTE 16 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, the account consists of:

Particulars	2020	2019
At acquisition cost	₱ 16,270,963	₱ 16,270,963
Cumulative fair value gain – in equity	<u>4,650,922</u>	<u>4,938,322</u>
Total	₱ <u>20,921,885</u>	₱ <u>21,209,285</u>

The investment in securities consists of investment in shares of stock of a publicly listed Company whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

The reconciliation of the carrying amounts of investments is as follows:

Particulars	2020	2019
Beginning balance	₱ 21,209,285	₱ 22,646,285
Additions	-	-
Fair value gain (loss)	<u>(287,400)</u>	<u>(1,437,000)</u>
Total	₱ <u>20,921,885</u>	₱ <u>21,209,285</u>

Movements in the net unrealized gain on equity instruments financial assets are as follows:

Particulars	2020	2019
Beginning balance	₱ 4,938,322	₱ 6,375,322
Fair value gain (loss)	<u>(287,400)</u>	<u>(1,437,000)</u>
Total	₱ <u>4,650,922</u>	₱ <u>4,938,322</u>

The net unrealized gain on equity investments is deferred and presented separately as fair value reserve under the equity section of the consolidated financial position.

NOTE 17 – FINANCIAL ASSETS AT AMORTIZED COST

The Group invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021.

The carrying amount of the bond investment as of December 31, 2020 and 2019 amounted to nil and ₱2,038,632, respectively. Total interest income earned of the investments amounted to ₱38,632 on December 31, 2019.

During 2020, the Group terminated the bond investment for total proceeds of ₱2,038,632.

NOTE 18 – PROPERTY AND EQUIPMENT, NET
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As of December 31, 2020, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,622,377	156,182	-	₱ 2,778,559
Machinery and equipment	27,759,760	524,964	-	28,284,724
Office furniture, fixtures, and computer equipment	17,433,028	737,607	-	18,170,635
Right-of-use asset	106,304,776	23,207,815	-	129,512,591
Total	154,119,941	24,626,568	-	178,746,509
Accumulated depreciation:				
Leasehold improvements	2,124,403	387,367	-	2,511,770
Machinery and equipment	22,450,810	1,894,888	-	24,345,698
Office furniture, fixtures, and computer equipment	15,162,329	1,125,344	-	16,287,673
Right-of-use asset	32,798,271	30,656,095	-	63,454,366
Total	₱ 72,535,813	34,063,694	-	₱ 106,599,507
Net Book Value	₱ 81,584,128			₱ 72,147,002

As of December 31, 2019, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,368,234	254,143	-	₱ 2,622,377
Machinery and equipment	27,637,455	2,741,533	(2,619,228)	27,759,760
Office furniture, fixtures, and computer equipment	15,936,841	1,496,187	-	17,433,028
Right-of-use asset	-	106,304,776	-	106,304,776
Total	45,942,530	110,796,639	(2,619,228)	154,119,941
Accumulated depreciation:				
Leasehold improvements	1,811,245	313,158	-	2,124,403
Machinery and equipment	23,038,314	1,941,826	(2,529,330)	22,450,810
Office furniture, fixtures, and computer equipment	14,372,085	790,244	-	15,162,329
Right-of-use asset	-	32,798,271	-	32,798,271
Total	₱ 39,221,644	35,843,499	(2,529,330)	₱ 72,535,813
Net Book Value	₱ 6,720,886			₱ 81,584,128

For both years 2020 and 2019, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

In 2019, the Group sold transportation equipment with a total net book value of ₱89,898 for net proceeds of ₱387,200, which resulted to a net gain on disposal amounting to ₱297,302.

Depreciation expense is recognized under cost of services and general and administrative expense. To wit:

Particular	2020	2019	2018
Cost of services (Note 27)	₱ 32,469,016	₱ 34,345,476	₱ 2,083,825
General and administrative expenses (Note 29)	<u>1,594,678</u>	<u>1,498,023</u>	<u>142,007</u>
Total	₱ <u>34,063,694</u>	₱ <u>35,843,499</u>	₱ <u>2,225,832</u>

NOTE 19 – OTHER NON-CURRENT ASSETS

As of December 31, this account is composed of the following:

	2020	2019
Refundable deposits, non-current portion	₱ 10,868,000	₱ 5,916,695
Intangible assets	<u>869,905</u>	<u>535,266</u>
Total	₱ <u>11,737,905</u>	₱ <u>6,451,961</u>

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of December 31, 2020 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	<u>1,309,910</u>
Caerus accounting system	1,025,000	-	-	<u>1,025,000</u>
SAP Business one	<u>1,825,646</u>	<u>764,393</u>	-	<u>2,590,039</u>
Total	<u>4,295,691</u>	<u>764,393</u>	-	<u>5,060,084</u>
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	<u>1,309,910</u>
Caerus accounting system	1,025,000	-	-	<u>1,025,000</u>
SAP Business one	<u>1,290,380</u>	<u>429,754</u>	-	<u>1,720,134</u>
Total	₱ <u>3,760,425</u>	<u>429,754</u>	-	₱ <u>4,190,179</u>
Net Book Value	₱ <u>535,266</u>			₱ <u>869,905</u>

The carrying amount of intangible assets as of December 31, 2019 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	1,825,646	-	-	1,825,646
Total	4,295,691	-	-	4,295,691
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	794,155	496,225	-	1,290,380
Total	₱ 3,264,200	496,225	-	₱ 3,760,425
Net Book Value	₱ 1,031,491			₱ 535,266

Intangible assets which have been fully amortized were due to MCLSI's management assessment that these will no longer provide a future economic benefit to the Group.

The Group has no intangible assets pledged as security for any liability and has no outstanding contractual commitments to acquire certain intangible assets.

NOTE 20 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are as follows:

Particulars	2020	2019
Current portion		
Trade payables	₱ 64,169,418	₱ 58,986,484
Accrued expenses	172,480,164	171,350,127
Other current liabilities	54,996,577	44,282,878
Subtotal	291,646,159	274,619,489
Non-current portion		
Accrued expenses	123,438,803	123,438,803
Total	₱ 415,084,962	₱ 398,058,292

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Parent Company and Polymax and pending claims and tax assessment solely against the Parent Company. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

The Parent Company reclassified to non-current portion the accruals made which pertains to management fee and reserve for contingency BIR amounting to ₱39,685,406 and ₱83,753,397, respectively. These are not expected to be settled within one year or the Group's operating cycle, whichever is longer.

Other liabilities mainly pertain to payable to government agencies.

These liabilities are unsecured and noninterest-bearing.

NOTE 21 – LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of December 31, 2020 and 2019, the Company's determined incremental rate used is 5%.

As of December 31, 2020 and 2019, this account consists of the following:

Particulars	2020	2019
Current	₱ 34,051,307	₱ 25,452,454
Non-current	<u>34,810,789</u>	<u>49,633,157</u>
Total	₱ <u>68,862,096</u>	₱ <u>75,085,611</u>

Interest expense pertaining to lease liability amounted to ₱3,504,758 and ₱2,726,765 for the year ended December 31, 2020 and 2019, respectively (Note 28).

In 2020 and 2019, movement includes:

Particulars	2020	2019
Beginning balance	₱ 75,085,611	₱ -
Additions	17,801,534	107,383,491
Payments	<u>(24,025,049)</u>	<u>(32,297,880)</u>
Total	₱ <u>68,862,096</u>	₱ <u>75,085,611</u>

NOTE 22 – DUE TO RELATED PARTIES

Details of this account are as follows:

Particulars	2020	2019
Philippine Estate Corporation	₱ 268,260,352	₱ -
Acesite (Phils.) Hotel Corporation	5,627,202	5,627,202
The Wellex Group Inc (TWGI)	-	52,876,888
Others	<u>681,213</u>	<u>654,457</u>
Total	₱ <u>274,568,767</u>	₱ <u>59,158,547</u>

The Parent Company issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, the principal amount of ₱263,000,345 and its legal interest of 2% per annum.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. This is an interest-bearing, due, and demandable loan. The interest incurred amounted to ₱5,260,007 as of December 31, 2020, hence the obligation totaled ₱268,260,352, which is payable for five years (Note 31).

In 2020, the Board of Directors approved in its Board Resolution No. 12, dated December 23, 2020, the offset of the Parent Company's collectibles from Polymax (Asset Held for Sale) in the amount of ₱52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. (Note 31).

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms (Note 31).

NOTE 23 – INCOME TAXES

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery or Tax incentives for Enterprises Act” (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

a. The components of the Group’s benefit from income tax are as follows:

Particulars	2020	2019	2018
Current tax expense	P 4,645,937	P 7,860,795	P 5,650,951
Deferred tax benefit	<u>(147,496)</u>	<u>(795,103)</u>	<u>(803,982)</u>
Income tax expense	<u>P 4,498,441</u>	<u>P 7,065,692</u>	<u>P 4,846,969</u>

b. The reconciliation of the provision for (benefit from) income tax loss computed at the statutory tax rate with the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income is as follows:

Particulars	2020	2019	2018
Provision for income tax loss at statutory tax rate	P 3,936,878	P 7,516,538	P 4,886,515
Tax effects of:			
Interest income subject to final tax	(44,843)	(68,356)	(39,054)
Unallowable interest and other expenses	753,902	412,613	803,490
Deferred tax assets	<u>(147,496)</u>	<u>(795,103)</u>	<u>(803,982)</u>
Income tax expense for the year	<u>P 4,498,441</u>	<u>P 7,065,692</u>	<u>P 4,846,969</u>

c. The components of Group’s deferred tax assets are the tax effects of the following:

Particulars	2020	2019	2018
Deferred tax assets:			
Allowance for probable losses	P 1,660,234	P 1,101,615	P 839,196
Accrued retirement benefits costs	993,981	1,192,160	1,133,549
Unrealized foreign exchange loss	2,203,249	2,643,429	2,643,088
Tax effect of leases under PFRS 16	<u>700,968</u>	<u>473,732</u>	<u>-</u>
Total	<u>P 5,558,432</u>	<u>P 5,410,936</u>	<u>P 4,615,833</u>

d. Deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱42,046,706, ₱51,118,261, and ₱51,717,634 as of December 31, 2020, 2019 and 2018, respectively, pertaining to the items shown below, have not been recognized as management believes that the Group and its non-operating subsidiaries may not have sufficient taxable profits or tax liabilities against which these deferred tax assets may be utilized.

Particulars	2020	2019	2018
Allowance for probable losses	₱ 158,020,909	₱ 158,020,909	₱ 158,020,909
NOLCO	10,165,916	11,403,608	13,401,520
Accrued retirement benefits costs	-	969,685	969,685
Total	₱ 168,186,825	₱ 170,394,202	₱ 172,392,114

The NOLCO can be claimed as deduction from regular taxable income as follows:

Year incurred	Valid Until	Amount	Applied	Expired	Balance
2020	2025	₱ 3,486,819	₱ -	₱ -	₱ 3,486,819
2019	2022	2,723,926	-	-	2,723,926
2018	2021	3,955,171	-	-	3,955,171
2017	2020	4,724,511	-	4,724,511	-
2016	2019	4,721,838	-	4,721,838	-
2015	2018	678,768	-	678,768	-
Total		₱ 20,291,033	₱ -	₱ 10,125,117	₱ 10,165,916

NOTE 24 – SHARE CAPITAL

a. The Group's share capital as of December 31, 2019 and 2018 consists of the following common shares:

Particulars	2020	2019
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ 720,000,000	₱ 720,000,000
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ 183,673,470	₱ 183,673,470
Number of equity holders	629	629
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ 480,000,000	₱ 480,000,000
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ 122,448,979	₱ 122,448,979
Number of equity holders	404	404
Additional Paid-in Capital	₱ 3,571,923	₱ 3,571,923

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

b. On July 25, 2003, the Parent Company's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Parent Company's management has decided to pursue the said increase in authorized capital stock of the Parent Company.

NOTE 25 – CUMULATIVE DEFICIT

This account consists of cumulative balance of periodic earnings and prior period adjustments, if any.

As of December 31, the account consists of the following:

Particulars	2020	2019	2018
Cumulative deficit, beginning	₱ (214,870,166)	₱ (220,343,298)	₱ (222,096,817)
PFRS 16 transition adjustment (Note 3)	-	(1,078,718)	-
Prior period adjustment (Note 32)	-	121,040	-
Recognition of expired and closing of unutilized NOLCO	(3,011)	-	(718,220)
Cumulative deficit, as adjusted	<u>(214,873,177)</u>	<u>(221,300,976)</u>	<u>(222,815,037)</u>
Net income (loss) based on the face of equity investments	4,472,596	13,927,064	3,362,865
Add: Non-actual gain/unrealized loss			
Unrealized loss (gain) on re-measurement of equity investments	287,400	1,437,000	4,023,600
Remeasurement loss (gain) on retirement plan	(1,879)	(195,369)	1,642
Non-controlling interest in net income	<u>(4,553,784)</u>	<u>(8,737,885)</u>	<u>(4,916,368)</u>
Net income (loss) actual/realized	<u>204,333</u>	<u>6,430,810</u>	<u>2,471,739</u>
Cumulative deficit, end	₱ <u>(214,668,844)</u>	₱ <u>(214,870,166)</u>	₱ <u>(220,343,298)</u>

NOTE 26 – SALE OF SERVICES

For the years ended December 31, 2020, 2019 and 2018, the account comprises of sale of services amounting to ₱273,670,106, ₱318,405,100, and ₱286,713,151, respectively.

NOTE 27 – COST OF SERVICES

For the years ended December 31, the account consists of:

Particulars	2020	2019	2018
Personnel costs	₱ 96,156,957	₱ 96,373,912	₱ 101,473,644
Rent and utilities	41,261,975	40,604,868	69,188,530
Transportation and travel	33,774,536	71,485,018	58,556,421
Depreciation (Note 18)	32,469,016	34,345,476	2,083,825
Security services	8,830,194	6,246,144	5,651,174
Outside services	1,454,541	4,426,831	1,092,928
Repairs and maintenance	856,237	642,864	526,375
Communication and office supplies	301,434	304,376	141,343
Others	<u>13,122,798</u>	<u>5,697,370</u>	<u>6,637,839</u>
Total	₱ <u>228,227,688</u>	₱ <u>260,126,859</u>	₱ <u>245,352,079</u>

Others include software maintenance expense, insurance, and other consumable charges.

NOTE 28 – FINANCE AND OTHER INCOME, NET

For the years ended December 31, the account consists of:

Particulars	2020	2019	2018
Finance income (Note 12)	₱ 164,137	₱ 229,016	₱ 131,349
Finance costs (Note 21)	(3,504,758)	(2,726,765)	-
<i>Other income:</i>			
Miscellaneous	-	-	206,065
Other income	1,654,529	361,590	224,976
Subtotal	1,654,529	361,590	431,041
Finance and other income, net	₱ (1,686,092)	₱ (2,136,159)	₱ 562,390

In 2020, the Board of Directors approved in its Board Resolution No. 12, dated December 23, 2020, the charge of gratuity pays of the retired employees, which amounted to ₱297,241, to accrued retirement benefits, and the write-off of the remaining retirement benefit payable of ₱672,444 since the Parent Company has no longer employees (Note 30).

Others include incidental income on trucking services.

NOTE 29 – GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, the account consists of:

Particulars	2020	2019	2018
Personnel costs	₱ 14,256,026	₱ 16,481,221	₱ 11,636,026
Professional fees	2,667,013	1,633,904	1,551,802
Taxes and licenses	2,141,474	2,441,001	1,889,662
Depreciation (Note 18)	1,594,678	1,498,023	142,007
Provision for probable losses (Notes 13)	1,518,129	874,729	1,570,666
Provision for impairment (Note 14)	1,450,757	-	-
Rent and utilities	1,029,262	1,289,101	1,318,388
Amortization of intangible assets (Note 19)	429,753	496,225	412,540
Entertainment	350,902	536,996	455,668
Communication and supplies	182,085	2,985,203	2,221,872
Insurance	110,748	134,776	183,926
Transportation and travel	5,006	68,859	127,345
Others	8,763,935	5,467,657	8,178,484
Total	₱ 34,499,768	₱ 33,907,695	₱ 29,688,386

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

NOTE 30 – RETIREMENT BENEFITS COSTS

The Parent Company has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of MCLSI's fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date.

The following tables summarize the components of net retirement expense recognized in the consolidated statements of comprehensive income and the funding status and amounts recognized in the consolidated financial position.

The components of retirement expense which were charged to operations are as follows:

Particulars	2020	2019	2018
Current service cost	₱ 1,457,700	₱ 1,378,700	₱ 1,303,982
Interest cost	<u>389,141</u>	<u>303,922</u>	<u>221,386</u>
Total retirement expense	₱ <u>1,846,841</u>	₱ <u>1,682,622</u>	₱ <u>1,525,368</u>

The details of the retirement obligation recognized in the consolidated financial position are as follows:

Particulars	2020	2019	2018
Present value of benefit obligation	₱ 8,938,875	₱ 8,045,420	₱ 6,357,971
Fair value of plan assets	<u>(302,621)</u>	<u>(284,443)</u>	<u>(84,246)</u>
Liability recognized in the financial position	₱ <u>8,636,254</u>	₱ <u>7,760,977</u>	₱ <u>6,273,725</u>

The changes in present value of retirement obligation are as follows:

Particulars	2020	2019	2018
Present value of obligation at beginning of year	₱ 8,045,420	₱ 6,357,971	₱ 4,832,603
Current service cost	1,457,700	1,378,700	1,303,982
Interest cost on benefit obligation	405,440	308,749	221,386
Actuarial gain (loss)	-	-	-
Benefits paid	(297,241)	-	-
Write-off	<u>(672,444)</u>	<u>-</u>	<u>-</u>
Present value of obligation at end of year	₱ <u>8,938,875</u>	₱ <u>8,045,420</u>	₱ <u>6,357,971</u>

The changes in the fair value of plan assets and actual return on plan assets are as follows:

Particulars	2020	2019	2018
Fair value of plan assets at beginning of year	₱ 284,443	₱ 84,246	₱ 86,592
Expected return on plan assets	16,299	4,827	-
Actuarial gain (loss) on plan assets	1,879	195,370	(2,346)
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year	₱ <u>302,621</u>	₱ <u>284,443</u>	₱ <u>84,246</u>

Movements in the net liability recognized in the current period are as follows:

Particulars	2020	2019	2018
Liability recognized at beginning of the year	₱ 7,760,977	₱ 6,273,725	₱ 4,746,011
Retirement expense	1,846,841	1,682,622	1,525,368
Other comprehensive (income) loss	(1,879)	(195,370)	2,346
Benefits paid	(297,241)	-	-
Write-off	<u>(672,444)</u>	<u>-</u>	<u>-</u>
Liability recognized at end of the year	₱ <u>8,636,254</u>	₱ <u>7,760,977</u>	₱ <u>6,273,725</u>

In 2020, the Board of Directors approved in its Board Resolution No. 12, dated December 23, 2020, the charge of gratuity pays of the retired employees, which amounted to ₱297,241, to accrued retirement benefits, and the write-off of the remaining retirement benefit payable of ₱672,444 since the Parent Company has no longer employees (Note 28).

Particulars	2020	2019	2018
Retirement benefits costs – OCI, beginning	₱ 8,905,620	₱ 8,710,250	₱ 8,712,596
Actuarial gain (loss) recognized	2,684	279,100	(3,351)
Deferred tax	(805)	(83,730)	1,005
Retirement benefits costs – OCI, ending	₱ 8,907,499	₱ 8,905,620	₱ 8,710,250
Percentage of ownership	51%	51%	51%
Equity holders of parent	₱ 4,542,824	₱ 4,541,866	₱ 4,442,228

The major categories of plan assets are as follows:

Particulars	2020	2019	2018
Cash and cash equivalents	₱ 79	₱ 578	₱ 312
Investment in Unit Investment Trust Funds	302,542	283,865	83,934
Total	₱ 302,621	₱ 284,443	₱ 84,246

The assumptions used to determine retirement benefits costs for the years ended December 31 are as follows:

Particulars	2020	2019	2018
Discount rate	5.73%	5.73%	5.73%
Salary increase rate	3.00%	3.00%	3.00%

The expected rate of return on plan assets assumed at a range of 5% to 6% was based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of the fund with consideration of the funds' past performance.

A quantitative sensitivity analysis for significant assumption as at December 31, 2020 is as shown below:

	Sensitivity Level			
	1% Increase		1% Decrease	
Impact on Net Defined Benefit Obligation	In %	Amount	In %	Amount
Discount rate	6.73%	3,533,948	4.73%	4,245,920
Future salary increases	4.00%	4,278,704	2.00%	3,500,367

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The discount rate and the future salary increase rate assumed was 5.73% and 3.00%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 15.59 years for 2020, 2019 and 2018.

NOTE 31 - RELATED PARTY TRANSACTIONS

a. Due from/to related parties

In 2020, the Parent Company acknowledged its obligation to PHES, an affiliate who granted an interest-bearing, due, and demandable loan in favor of the Parent Company.

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Group Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Group Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

c. Compensation of key management personnel follows:

Particulars	2020	2019	2018
Short-term employee benefits	₱ <u>10,691,978</u>	₱ <u>18,191,466</u>	₱ <u>18,398,157</u>

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective entity's retirement plan.

d. The related relationships and amounts applicable to the Group's transactions with related parties as of December 31, 2020 and 2019 are as follows:

Name of the related party		Relationship	Nature of transaction		Country of incorporation
The Wellex Group, Inc.		Affiliate	Holding company		Philippines
Metro Combined Logistics Solutions, Inc.		Subsidiary	Third party logistics and warehousing		Philippines
Polymax Worldwide Limited		Affiliate	Series of acquisition transaction		British Virgin Island
Acesite (Phils.) Hotel Corporation		Affiliate	Hotel business and other accommodations		Philippines
Philippine Estate Corporation		Affiliate	Holding and developing real estate		Philippines
		Transactions		Outstanding Balance	
Particulars	Terms and Conditions	2020	2019	2020	2019
Due from related parties:					
The Wellex Group, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ (201)	₱ -	₱ 5,258,409	₱ 5,258,610
Metro Combined Logistics, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	-	10	18,934	18,934
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	31,373	31,373
Total (Note 13)		₱ (201)	₱ 10	₱ 5,308,716	₱ 5,308,917
Advances (Asset held for Sale):					
Polymax (Note 15)	Represents 20% share investment in NPCA	₱ 210,889,007	₱ (2,634,110)	₱ 577,074,835	₱ 366,185,828

Due to related parties:

Acesite (Phils.) Hotel Corporation	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	P -	P -	P 5,627,202	P 5,627,202
The Wellex Group, Inc.	Funding for working capital requirements; Offset to accounts receivable	(52,876,888)	-	-	52,876,888
Philippine Estate Corporation	Secured, no impairment, no guarantee, interest bearing	268,260,352	-	268,260,352	-
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	26,756	206,979	681,213	654,457
Total (Note 22)		P 215,410,220	P 206,979	P 274,568,767	P 59,158,547

The Parent Company issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, the principal amount of ₱263,000,345 and its legal interest of 2% per annum.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. This is an interest-bearing, due, and demandable loan wherein payment was not made until June 2020. Thus, an annual interest was incurred amounting to ₱5,260,007, and totaled to ₱268,260,352, which is payable for five years (Note 22).

In 2020, the Board of Directors approved in its Board Resolution No. 12, dated December 23, 2020, the offset of the Parent Company's collectibles from Polymax (Asset Held for Sale) in the amount of ₱52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. (Note 22).

NOTE 32 – PRIOR PERIOD ADJUSTMENT

In 2019, the Group's operations were adjusted to effect the error in recording accounts payable amounting to ₱121,040.

Accounts	Beginning Balance as of January 1, 2019	Adjustments/ Corrections	Adjusted Beginning Balance
Accounts payable and accrued expenses	409,739,928	(121,040)	409,618,888
Cumulative deficit	(220,343,298)	121,040	(220,222,258)

NOTE 33 – BASIC INCOME PER SHARE

The following table presents the information necessary to compute the basic income per share attributable to equity holders of the Group:

Particulars	2020	2019	2018
Net income loss attributable to equity holders of the Parent Company	P 204,333	P 6,430,810	P 2,471,739
Weighted average number of common shares	306,122,449	306,122,449	306,122,449
Basic income per share	P 0.0007	P 0.0210	P 0.0081

NOTE 34 – SIGNIFICANT COMMITMENTS

Lease Agreements

As a lessor

The rent income recognized by MCLSI, the operating subsidiary of the Parent Company, for the years ended December 31, 2020, 2019 and 2018 amounted to ₱48,205,450, ₱39,517,592 and ₱44,348,911, respectively.

As a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

As permitted by PFRS 16, the Group applied the modified retrospective approach to existing operating leases which are capitalized under the new standard (i.e. retrospectively, with the cumulative effect recognized at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

Thus, in 2018, no restatement was made to the recognized rent expenses amounting to ₱35,490,383.

In 2019, the Group entered into lease agreements with terms ranging from 2 to 5 years, ending April 2020, May 2021 and October and November 2024. All are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Present value of lease liability as of December 31, 2020 is as follows:

Lessors	Beginning Balance	Additions	Interest	Payments (Principal and Interest)	Present Value (Year-end)
Chatellane Holding Co. Inc.	₱ 56,095,143	₱ -	₱ 2,458,731	₱ 17,744,826	₱ 40,809,048
BF Holdings, Inc.	3,948,992	-	150,877	2,218,292	1,881,577
Filipinas Benson Industrial & Development Corporation	3,861,908	9,137,162	386,024	6,883,919	6,501,175
JB Realty and Development Corporation	-	13,721,663	57,174	601,990	13,176,847
VY Industrial Builders, Inc.	11,119,942	-	445,592	5,307,061	6,258,473
The Wellex Group, Inc.	59,626	348,990	6,360	180,000	234,976
	<u>₱ 75,085,611</u>	<u>₱ 23,207,815</u>	<u>₱ 3,504,758</u>	<u>₱ 32,936,088</u>	<u>₱ 68,862,096</u>

Present value of lease liability as of December 31, 2019 is as follows:

Lessors	Beginning Balance	Additions	Interest	Payments (Principal and Interest)	Present Value (Year-end)
Chatellane Holding Co. Inc.	₱ 27,402,525	₱ 43,108,257	₱ 1,494,221	₱ 15,909,860	₱ 56,095,143
BF Holdings, Inc.	5,812,974	-	248,678	2,112,660	3,948,992
Filipinas Benson Industrial & Development Corporation	5,817,115	3,938,786	298,727	6,192,720	3,861,908
JB Realty and Development Corporation	5,349,270	-	123,352	5,472,622	-
VY Industrial Builders, Inc.	729,668	14,989,920	557,136	5,156,782	11,119,942
The Wellex Group, Inc.	234,975	-	4,651	180,000	59,626
	<u>₱ 45,346,527</u>	<u>₱ 62,036,963</u>	<u>₱ 2,726,765</u>	<u>₱ 35,024,644</u>	<u>₱ 75,085,611</u>

As of December 31, 2020, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱63,454,366 (Note 18) and ₱68,862,096 (Note 21), respectively.

Consequently, the Group recognized depreciation expense and interest expense as reduction to the carrying amount of the right-of-use asset and lease liability amounting to ₱30,656,095 (Note 18) and ₱3,504,758 (Note 28), respectively.

As of December 31, 2019, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱73,506,505 (Note 18) and ₱75,085,611 (Note 21), respectively.

Consequently, the Group recognized depreciation expense and interest expense as reduction to the carrying amount of the right-of-use asset and lease liability amounting to ₱32,798,271 (Note 18) and ₱2,726,765 (Note 28), respectively.

Logistics Agreements

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

COVID-19 Impact

In early 2020, the world was adversely affected by the COVID-19, which was declared a pandemic by the World Health Organization. In a move to contain the COVID-19 outbreak, the Philippine government initiated directives to impose stringent social distancing measures and guidelines under different levels of community quarantine depending on the assessment of the situation in the numerous parts of the country. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Group's timeline for the commencement of the operations were delayed due to limited movement within the region and the start of monsoon season.

The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by the government, businesses and individuals, which could result in different outcomes. Considering the evolving nature of the outbreak, the Group will continue to monitor the situation in subsequent periods.

NOTE 35 – OTHER MATTERS

As of December 31, 2020, the Group has the following legal cases:

a. *Metro Alliance vs. Commissioner of Internal Revenue*

On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Parent Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Parent Company filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Parent Company filed said appeal. On October 20, 2004, the Parent Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Parent Company filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating

that it found no ground to sustain the Parent Company's appeal and dismissed the Parent Company's petition with finality.

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of December 31, 2020, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable

b. *Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Parent Company, et al., Civil Case SCA#TG- 05-2519, RTC Tagaytay City Branch 18*

On September 14, 2005, the Parent Company (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Parent Company. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

In 2020, the Parent Company already acknowledged the obligation to PHES, which was due and demandable on June 30, 2020. The Parent Company, however, failed to pay the amount on that date, for which, legal interest has been accrued at the end of the year. Total amount due to PHES is ₱268,260,352.

c. *MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555 now SC GR. No. 240495 and 240513, RTC Makati Branch 145*

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling

Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Parent Company with the same RTC. In 2013, Parent Company's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Parent Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Parent Company's legal counsel questioned as defective, but the RTC ruled against the Parent Company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Parent Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, et al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et al. filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Parent Company received a copy of PVB's "Comment/Opposition" dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 30, 2019. To date, however, MAHEC, et al. have not yet received a copy of PVB's reply.

On February 23, 2021, the case was set for the presentation of plaintiffs' evidence. However, the case was rescheduled on June 22, 2021 due to lack of return card of the notice of the hearing sent to defendant's counsel.

d. MAHEC, POLYMAX, Renato B. Magadia (Metro Parent Company/plaintiffs) vs NPC International Limited, et al. (NPC Parent Company/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Parent Company, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Parent Company and NPC Parent Company, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Parent Company having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the mounting losses coupled with the unfettered control of the NPC Parent Company on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Parent Company against the NPC Parent Company was set for hearing. In support of their application, Metro Parent Company presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16, 2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/ Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under pretext that he is a stockholder of NPCAC.

On February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

Subsequently, the defendants filed a Petition for *Certiorari* and Prohibition with Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals. On December 18, 2020, the plaintiffs have filed their Comment through their legal representative.

- e. There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits, and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

NOTE 36 – SUBSEQUENT EVENTS

Continuing COVID-19 Pandemic

From March 29, 2021 to April 4, 2021, following the spike in the number of new COVID-19 cases, the Philippine Government has placed cities comprising the Greater Metro Manila Region (NCR, Bulacan, Rizal, Cavite and Laguna) back to Enhanced Community Quarantine and was later extended to April 11, 2021.

The scale and duration of these developments remain uncertain as at reporting date. The COVID-19 pandemic could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

I	Supplemental schedules required by Revised SRC Rule Annex 68-J	
A	Financial Assets	<u>Attached</u>
B	Amounts receivables from directors, officers, employees, related parties and principal stockholders (other than related parties)	<u>Attached</u>
C	Amounts receivables and payable from/to related parties which are eliminated during consolidation process of financial statements	<u>Attached</u>
D	Intangible assets - other asset	<u>Attached</u>
E	Long-term debt	<u>Not applicable</u>
F	Indebtedness to related parties (Long-term loans from related parties)	<u>Attached</u>
G	Guarantees of securities of other issuers	<u>Not applicable</u>
H	Capital Stock	<u>Attached</u>
II	Schedule of all the effective standards and interpretations	<u>Attached</u>
III	Map of the relationships of the Parent Company within the Parent Company	<u>Attached</u>
IV	Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as required by Revised SRC Rule Annex 68-D	<u>Attached</u>
V	Schedule of Financial Soundness Indicators as required by Revised SRC Rule Annex 68-E	<u>Attached</u>

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY REVISED SRC RULE ANNEX 68-J AS AT DECEMBER 31, 2020

SCHEDULE A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the financial position	Value based on market quotation at end of reporting period	Income received and accrued
<i>Financial assets at amortized cost</i>				
Cash	-	₱ 33,101,605	₱ 33,101,605	₱ 164,137
Trade and other receivables, net	-	169,590,889	169,590,889	-
Refundable deposits	-	10,992,898	10,992,898	-
Subtotal		213,685,392	213,685,392	164,137
<i>Financial assets at FVOCI</i>				
Waterfront Philippines, Inc	-	8,334,600	8,334,600	-
Taguig Lake City Development	-	12,500,000	12,500,000	-
Others		87,285	87,255	
Subtotal		20,921,885	20,921,855	-
Total		₱ 234,607,277	₱ 234,607,277	₱ 164,137

SCHEDULE B. Amounts of Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other Than Related Parties)

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱ 366,185,828	210,889,007	-	-	577,074,835	577,074,835
The Wellex Parent Company, Inc	5,258,610	201	-	5,258,409	-	5,258,409
Metro Combined Logistics, Inc.	18,934	-	-	18,934	-	18,934
Others	31,373	-	-	31,373	-	31,373
Total	₱ 371,494,745	210,889,208	-	5,308,716	577,074,835	582,383,551

SCHEDULE C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/ consolidated	Amounts written-off	Current	Non-current	Balance at end of period
Due to related party Metro Combined Logistics Solutions, Inc	₱ -	500,000	-	-	500,000	-	500,000

SCHEDULE D. Intangible Assets – Other Assets

Description	Balance at beginning of period	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Balance at end of period
SAP Business One	₱ 535,266	-	334,639	-	-	869,905

SCHEDULE E. Long-term Debt

Title of issue	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt”	Amount shown under caption “Long term debt” in related financial position
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Not Applicable

SCHEDULE F. Indebtedness to Related Parties (Long Term Loans from Related Parties)

Name of related party	Balance at beginning of period	Balance at end of period
Philippine Estate Corporation	-	268,260,352

The Group issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, the principal amount of ₱263,000,345 and its legal interest of 2% per annum.

The aforesaid amount pertains to advances made by the affiliate in favor of the Group. This is an interest-bearing, due, and demandable loan wherein payment was not made until June 2020. Thus, an annual interest was incurred amounting to ₱5,260,007, and totaled to ₱268,260,352, which is payable for five years (Note 22).

SCHEDULE G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

SCHEDULE H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common – Class A	720,000,000	183,673,470	-	156,590,387	125,115	26,957,968
Common – Class B	480,000,000	122,448,979	-	85,139,552	22,001,000	15,308,427
Total	1,200,000,000	306,122,449	-	241,729,939	22,126,115	42,266,395

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2020

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION Schedule of Philippine Financial Reporting Standards

The following table summarizes the effective standards and interpretations as at December 31, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
	PFRS 2 Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Parent Company Cash-settled Share-based Payment Transactions			✓
PFRS 2	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendment of PFRS 2: Classification and Measurement of Share- Based Payment Transactions			✓
	PFRS 3 Business Combinations	✓		
	Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 3 (Revised)	Amendments of PFRS 3: Definition of Business	✓		
	PFRS 4 Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
	Amendment to PFRS 6: Transition Relief			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Disclosures of Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Reissue to incorporate a hedge accounting chapter and			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	permit early application of the requirements for presenting in other comprehensive income the “own credit” gains or losses on financial liabilities designated under the fair value option without early applying to other requirements of PFRS 9 Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short- Term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases	✓		
	Amendments to PFRS 16: Rent Concessions			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Classification of Derivatives as	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	Current or Non-Current			
	Amendments to PAS 1 - Classification of Liabilities as Current	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of Statement of Changes in Equity	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1: Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 8: Definition of Material	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture; Bearer Plants			✓
PAS 17	Leases	✓		
	Amendments to PAS 17: Classification of Land Leases			✓
PAS 18	Revenue	✓		
	Amended by IAS 39 Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 18: Guidance for Determining Whether an Entity is Acting as a Principal or as an Agent.			✓
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses,	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	Parent Company Plans and Disclosures			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Discount Rate: Regional Market			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19R: Plan Amendment, Curtailment or Settlement			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interest in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Equity Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓

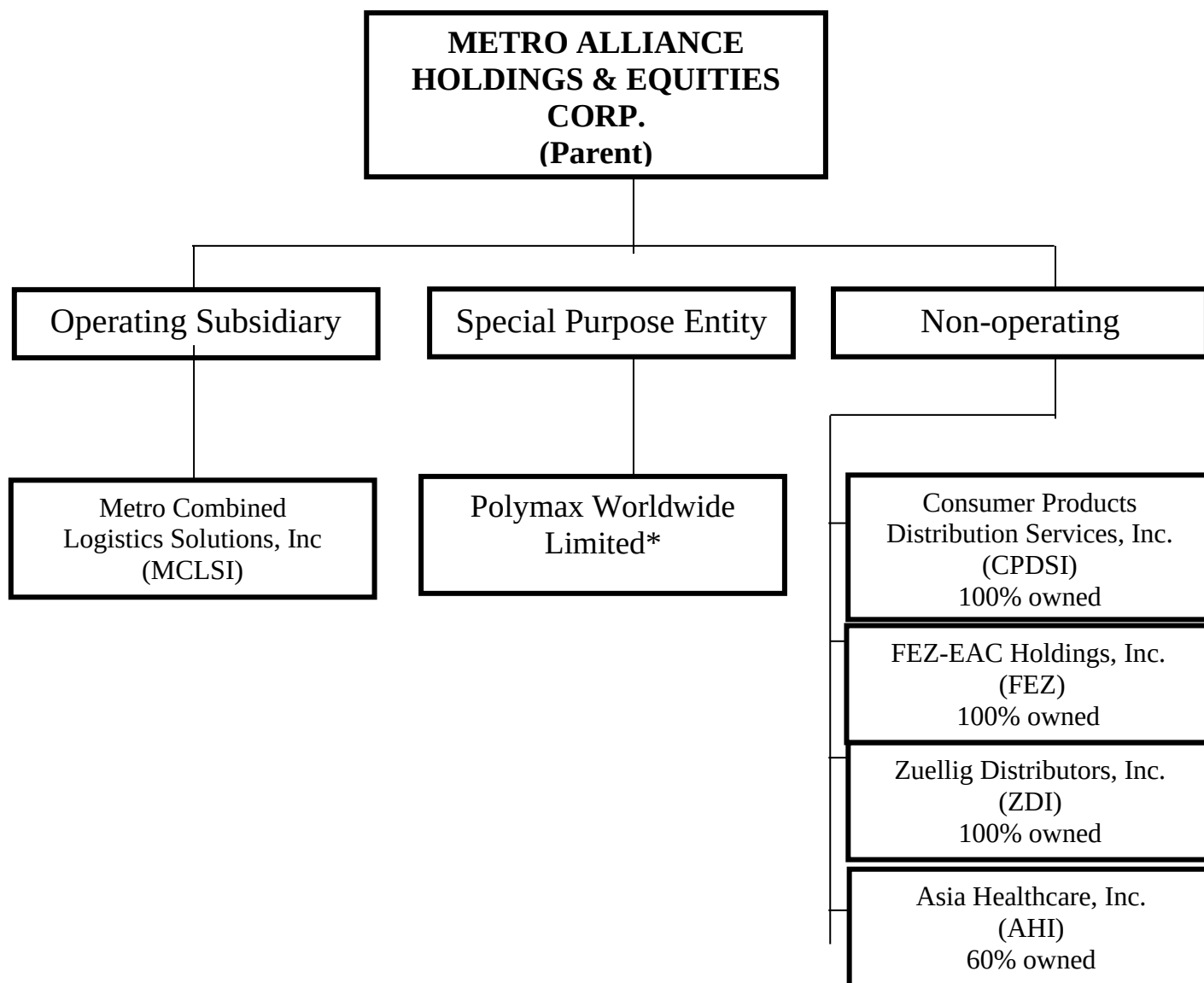
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Disclosure of Estimates Used to Determine a Recoverable Amount	✓		
	Amendments to PAS 36: Units of Accounting for Goodwill Impairment Testing Using Segments Under PFRS 8 Before Aggregation			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non- Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 38: Measurement of Intangible Assets in Business Combinations			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation Under the Revaluation Method			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast IntraParent Company Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Reclassifications of Financial Assets	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
	as Investment Property or Owner-Occupied Property			
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendments to IFRIC 9: Prepayment Features with Negative Compensation			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Parent Company and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
	Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2020		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

III. MAP OF THE RELATIONSHIP OF THE PARENT COMPANY WITHIN THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2020



*Polymax Worldwide Limited was excluded from the consolidated financial statements since 2007 because the entity is no longer operating as a going concern and is in the process of liquidation.

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

IV. SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS REQUIRED BY SRC RULE ANNEX 68-D FOR THE YEAR ENDED DECEMBER 31, 2020

Items	2020	2019
Unappropriated Retained Earnings, beginning	₱ (91,359,887)	₱ (88,715,918)
Adjustments:		
Prior period adjustments	-	-
Expired unutilized Deferred MCIT	(3,010)	
Dividends declared/paid during the year	-	-
Unappropriated Retained Earnings, as adjusted, beginning	(91,362,897)	(88,715,918)
Net Income (Loss) based on the face of AFS	(4,773,523)	(4,080,969)
Less: Non-actual/unrealized income net of tax		
• Equity in net income/(loss) of associate/joint venture	-	-
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	-
• Fair value adjustment (M2M gains)	-	-
• Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	-	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	287,400	1,437,000
Add: Non-actual losses		
• Depreciation on revaluation increment (after tax)	-	-
• Adjustment due to deviation from PFRS/GAAP – loss	-	-
• Loss on fair value adjustment of investment property (after tax)	-	-
FMV gain/(loss) transferred to equity as a result of disposal of equity investment at FVOCI	-	-
Gain/(loss) from disposal of financial assets at FVOCI	-	-
Net Income Actual/Realized	-	-
Unappropriated Retained Earnings, as adjusted, ending	₱ (95,849,020)	₱ (91,359,887)

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

V. SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS REQUIRED BY REVISED SRC
RULE ANNEX 68-E FOR THE YEAR ENDED DECEMBER 31, 2020

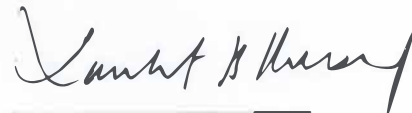
Financial Ratios	Formula	2020	2019
Current / liquidity ratio	Current assets over current liabilities	0.68	0.56
Acid test ratio	Cash plus receivables plus marketable securities over current liabilities	0.61	0.50
Asset to equity ratio	Total asset over total equity	6.20	4.77
Net debt to equity ratio	Total liabilities less cash and cash equivalents over total equity	4.97	3.54
Debt-to-equity ratio	Total liabilities over total equity	5.20	3.77
Solvency ratio	After tax net profit plus depreciation over total liabilities	0.06	0.11
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	1.64	7.15
Gross profit margin	Gross profit over net revenues	16.60%	18.30%
Net income margin	Net income over net revenues	1.74%	4.76%

Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Second (2nd) Quarterly Report SEC Form 17-Q to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Metro Alliance Holdings & Equities Corporation, will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this AUG 05 2021 day of _____, 2021.



Affiant

TIN: 136-012-428

QUEZON CITY

SUBSCRIBED AND SWORN to before me this AUG 05 2021 day of _____, 2021.



ATTY. CONCEPCION P. VILLAREÑA

Notary Public, City

Until December 31, 2021

PIR No. 9296041 - 1-2-2020/ QC

IBP No. 093586 - 10-22-2019/ QC

Roll No. 30457 - 05-09-80

MCLE VI - 0030379

Adm. Matter No. NP-001(2020-2021)

TIN No. 131-942-754

Doc No. 182
Page No. 98
Book No. 19
Series of 2021

Re: Metro Alliance SEC 17-Q 2nd Quarter 2021

From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: metro.alliance@yahoo.com

Date: Thursday, August 12, 2021, 01:09 PM GMT+8

Dear Customer,

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Bar Code Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, FS-P, FS-C, Monthly Reports, Quarterly Reports, Letters, etc... through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over-the-counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, SFFS, LCFS, LCIF, FCFS, FCIF ANO, ANHAM. All submissions through OST are no longer required to submit the hard copy thru mail or over-the-counter.

FOR MC28, please email to:

[\(MC28_S2020@sec.gov.ph\)](mailto:(MC28_S2020@sec.gov.ph))

For your information and guidance.

Thank you and keep safe.

COVER SHEET

[illegible]

SEC Registration No.

SEC Registration No.																														
M	E	T	R	O		A	L	L	I	A	N	C	E		H	O	L	D	I	N	G	S		&						
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(Company's Full Name)

[illegible]

C	E	N	T	E	R	,	D	O	Ñ	A		J	U	L	I	A		V	A	R	G	A	S		A	V	E	.	
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(Business Address : No. Street City / Town / Province)

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

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Fiscal Year

		1	7	-	Q		
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FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

790

Total No. of Stockholders

Total Amount of Borrowings

Total Amount	

Domestic

Drawings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document I.D.

Cashier

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Remarks = pls. use black ink for scanning purposes

2nd Quarter Report: MAH

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended ...**June 30, 2021**
2. Commission identification number...**296**
3. BIR Tax Identification No.....**000-130-411-000**.
4. **Metro Alliance Holdings & Equities Corp.**
Exact name of issuer as specified in its charter
5. **Metro, Manila Philippines**
Province, country or other jurisdiction of incorporation or organization
6. (SEC use Only)
Industry Classification Code:
7. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig**
Address of issuer's principal office
8. **(632) 8706-7888**
Issuer's telephone number, including area code
9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	₱ 753,010,773

11. Are any or all of the securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippines Stock Exchange

Common Class A and Class B

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [✓] No []

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes [✓] No []

13. Aggregate market value of the voting stock held by non-affiliates: **Php163,518,121**

14. Not applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Consolidated Balance Sheets, Income Statements, Changes in Stockholders' Equity, Cash Flows and Notes to Interim Consolidated Financial Statements (Annex A.1 to 5).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

☐ Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2021	Apr. – Jun. 2020	Jan. – Jun. 2021	Jan. – Jun. 2020
Sales and services	₱70,891,181	₱53,783,440	₱137,529,338	₱139,382,769
Cost of sales and services	61,761,845	52,362,210	116,948,862	118,401,904
Gross profit	9,129,336	1,421,230	20,580,476	20,980,865
Expenses	(9,793,861)	(7,052,030)	(15,978,335)	(15,084,315)
Other income	7,777	792,856	487,662	989,089
Net Income Before Tax	(656,748)	(4,837,944)	5,089,803	6,885,639
Income tax expense	-	-	-	-
Net income	(656,748)	(4,837,944)	5,089,803	6,885,639
Attributable to:				
Equity Holders of the Parent Company	(1,457,709)	(2,766,647)	1,209,334	2,864,564
Non-controlling interest	800,961	(2,071,297)	3,880,469	4,021,075
	(656,748)	(4,837,944)	5,089,803	6,885,639
Earnings Per Share – Equity Holders of the Parent Company	₱0.0048	(₱0.0090)	₱0.0040	₱0.0094

☐ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2021	Jun. 30, 2020	Dec. 31, 2020
Current assets	₱212,765,039	₱243,088,096	₱227,344,462
Noncurrent assets	692,967,979	481,364,672	687,440,059
Total Assets	905,733,018	724,452,768	914,784,521
Current liabilities	317,559,463	393,571,336	332,005,881
Noncurrent liabilities	435,451,310	180,832,937	435,146,198
Total Liabilities	753,010,773	574,404,273	767,152,079
Stockholder's Equity	152,722,245	150,048,495	147,632,442
Total Liabilities and Stockholder's Equity	₱905,733,018	₱724,452,768	₱914,784,521

The following companies are included in Metro Alliance (MAH) consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. Due to intra-corporate disputes surrounding the ownership of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group is exploring business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI, which has shown steady growth. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

a) Key Performance Indicators

The Metro Alliance (MAH) and its majority-owned subsidiaries key performance indicators as follow:

Metro Alliance

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱2,277,178 for the 2nd quarter of 2021 as compared to the same quarter of 2020 with net loss amounting to ₱1,302,076 or an increase in net loss by ₱975,102 or 74.89%.

Comparative analysis of Metro Alliance's key performance indicators is as follows:

Performance indicator	June 30	
	2021	2020
Net Income / (Loss)	(₱2,798,421)	(₱1,302,584)
Income / (Loss) per share	(0.009)	(0.004)
Income / (Loss) on average equity	(0.019)	(0.009)
Debt to total assets	0.649	0.454
Debt to equity	1.847	0.830

MCLSI

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders (net income / sales)
 - c. Return on assets – ability to generate returns from assets (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets (current assets/current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables (net credit sales / average trade receivables) (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators on June 30 are as follows:

Performance indicator	2021	2020
<u>Profitability</u>		
a. Gross profit margin	0.150	0.151
b. Net profit margin	0.058	0.059
c. Return on assets	0.029	0.028
d. Return on equity	0.077	0.088
<u>Liquidity</u>		
a. Current ratio	1.907	1.657
b. Receivables turnover	0.766	0.665
c. Days' sales in receivables	476.675	548.791

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies. Management is considering a rationalization plan to address the future of these non-operating subsidiaries.

b) Changes in Operating Results

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of ₱0.7 million for the 2nd quarter of 2021 as against net loss of ₱4.8 million for the 2nd quarter of 2020 or a decrease of ₱4.1 million or 85.42% due to higher expenses incurred for the quarter 2021. Income (Loss) per share attributable to equity holders of Parent Company are ₱0.004 and (₱0.009) for the 2nd quarter of 2021 and 2020, respectively. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱70.9 million and ₱53.8 million for the quarters ended June 30, 2021 and 2020. The decrease in revenue by ₱17.1 million or 31.78%.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2021 and 2020 amounted to ₱61.8 million and ₱52.4 million, respectively. The increase in cost of sales by ₱9.4 million or 17.94% against last quarter was mainly due to the following net effect of expenses; increase of personnel cost by ₱6.1 million, increase in rent and utilities by ₱1.2 million, increase in transportation expenses by ₱0.2 million, increase of outside and security services by ₱2.0 million and decrease of other costs by ₱0.1 million.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2021 amounted to ₱9.8 million as compared to ₱7.1 million for the 2nd quarter of 2021 or an increase of ₱2.7 million or 38.03%. The increase was mainly attributable on the following: increased in professional cost by ₱0.2 million, increased in entertainment by ₱0.08 million, decreased in personnel cost by ₱0.08 million, increased in rent and utilities by ₱0.1 million, increased in amortization and depreciation by ₱0.4 million, increased in communication and supplies by ₱0.1 million, decreased in transportation by ₱0.1 million, increased in taxes and licenses by ₱2.1 million and decreased in other operating costs by ₱0.02 million.

Other income

Other income for the quarters ended June 30, 2021 and 2020 amounted to ₱0.0 million and ₱0.8 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents as of June 30, 2021 and 2020 amounted to ₱32.3 million and ₱22.6 million, respectively. Net cash flows from operating activities is ₱4.6 million, net cash flows from investing activities is (₱5.1 million) and net cash flows from financing activities is (₱0.3 million).

Receivables amounted to ₱155.9 million as of June 30, 2021 and ₱197.3 million as of June 30, 2020 (net of allowance for doubtful accounts). Movement in the accounts is mainly attributable to the decreased in trade receivable by ₱40.30 million, increased in other receivables by ₱0.3 million and increased in allowance for probable loss by ₱1.5 million. Other receivables pertain to advances subject for liquidation.

Other current assets amounted to ₱24.6 million and ₱23.2 million as of June 30, 2021 and 2020, respectively (net of allowance for probable losses of ₱14.3 million and ₱12.9 million, respectively). The increase by ₱1.4 million was net effect of the following: Increased in creditable withholdings tax and input taxes by ₱1.6 million, decreased of refundable deposits – current by ₱4.2 million and increased in other prepayments by ₱5.5 million and increase of probable allowance by ₱1.5 million.

Asset held for sale amounting to ₱573.7 million and ₱364.7 million as of June 30, 2021 and 2020, respectively, which represents advances to Polymax, the Group's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱20.9 million and ₱21.2 million in June 30, 2021 and 2020, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017,

the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Investment in Debt Security

The Group invested with Philippine Depository and Trust Corporation (PDTCT) bonds through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% with maturity date on June 28, 2021. The carrying amount of the bond investment as of June 30, 2021 and 2020 amounted to nil and ₱2,038,632, respectively. At the end of 2020, the Group terminated the bond investment for total proceeds of ₱2,038,632.

Property and equipment amounted to ₱80.6 million and ₱80.6 million in June, 2021 and 2020, respectively. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2021 and 2020 and the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets as of June 30, 2021 and 2020 amounted to ₱12.1 million and ₱7.4 million, respectively or an increase by ₱4.7 million due to increase in refundable deposits and decrease in intangible assets by ₱0.1 million. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and the non-current portion of refundable deposits.

Liabilities

The Accounts payable and accrued expenses – current portion as of June 30, 2021 and 2020 amounted to ₱277.4 million and ₱309.3 million, respectively. The decreased was due to payment of trade payables amounting to ₱29.8 million and decreased in other current liabilities by ₱2.0 million. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 19).

Lease Liability is the liability recognized in relation to the adoption of PFRS 16. Current lease liability amounted to ₱34.1 million and ₱25.5 million as of June 30, 2021 and 2020, respectively. Noncurrent portion of Lease liability amounted to ₱34.8 million and ₱49.6 million as of June 30, 2021 and 2020, respectively.

The *Due to related parties - current* as of June 30, 2021 and 2020 amounted to ₱6.1 million and ₱58.9 million, respectively. The decrease was mainly due to the 2020's offset of the Parent Company's collectibles from Polymax (Asset Held for Sale) in the amount of ₱52.9 million, with the Parent Company's payable to the Wellex Group, Inc. Due notice was given to both parties. *Due to related parties - noncurrent* as of June 30, 2021 and 2020 amounted to ₱268.3 million and ₱0, respectively. In 2020, The Parent Company issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, with a total obligation of ₱268.3 million. The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms (Note 29).

Accrued retirement benefit cost amounted to ₱8.6 million and ₱7.8 million as of June 30, 2021 and 2020, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2020 and 2021 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. In 2020, the Board of Directors approved to write-off the remaining retirement benefit payable of the Parent Company since it has no longer have employees. (Note 28).

Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern.

As of June 30, 2021 and 2020, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱573.7 million and ₱364.7 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

Legal Cases

Below is the list of legal matters of the Group as of June 30, 2021, which are fully disclosed in Note 32:

- a) Metro Alliance vs. Commissioner of Internal Revenue - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
- b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
- c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513 - Civil Action with Damages to Nullify the Foreclosure of Property
- d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 - Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

Events that will Trigger Direct Contingent or Financial Obligation

There are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment for Capital Expenditures

The Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since MCLSI is the only operating subsidiary among the Group, sales rely solely on MCLSI's results of operations.

The Group registered a consolidated net loss of ₱0.7 million for the 2nd quarter of 2021 as against net loss of ₱4.8 million for the 2nd quarter of 2020 or a decrease of ₱4.2 million or 8.64% due to higher sales recorded. Income (Loss) per share attributable to equity holders of Parent Company are (₱0.005) and (₱0.009) for the 2nd quarter of 2021 and 2020, respectively. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱70.9 million and ₱53.8 million for the quarters ended June 30, 2021 and 2020, with an increase in revenue by ₱17.1 million or 31.78%.

Significant Element of Income or Loss That Did Not Arise from Continuing Operations

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions “Changes in Financial Condition” and “Changes in Operating Results” above.

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability (Note 17 and 20).

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

PART II – OTHER INFORMATION

(1) Market Information

The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2021	First Quarter	4.08	1.84	4.08	1.84
	Second Quarter	2.64	2.04	2.64	2.04
2020	First Quarter	3.30	0.89	3.30	0.89
	Second Quarter	3.19	1.36	3.19	1.36
	Third Quarter	2.37	1.40	2.37	1.40
	Fourth Quarter	2.37	1.62	2.37	1.62
2019	First Quarter	2.88	1.67	2.88	1.67
	Second Quarter	1.94	1.44	1.94	1.44
	Third Quarter	1.69	1.02	1.69	1.02
	Fourth Quarter	1.15	0.98	1.15	0.98
2018	Third Quarter	2.78	1.36	2.78	1.36
	Fourth Quarter	2.46	0.92	2.46	0.92

The high, low and close market prices are ₱1.95, ₱1.76, ₱1.91 as of August 9, 2021.

(2) Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of June 30, 2021, there are 607 holders of Class "A" shares and 390 holders of Class "B" shares.

List of Top 20 Stockholders As of June 30, 2021

	Stockholder's Name	Number of Shares		Percentage
		Class A	Class B	Total
1	PCD NOMINEE CORPORATION (FILIPINO)	43,086,501	30,622,833	24.078
2	CRESTON GLOBAL LIMITED		56,378,388	18.417
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
7	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
8	CHARTERED COMMODITIES CORP.	11,296,000		3.690
9	MIZPAH HOLDINGS, INC.	10,128,700		3.309
10	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
11	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
12	FORUM HOLDINGS CORPORATION	1,934,500		0.632
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		1,570,911	0.513
14	TIN FU OR TRAJANO		820,000	0.268
15	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
16	VICTOR GAN SY	400,000	200,000	0.196
17	W. DUMERMUTH	472,600		0.154
18	VICTOR G. SY	178,000	290,000	0.153
19	AB CAPITAL & INVESTMENT CORPORATION	162,000	268,000	0.140
20	MARY ANGUS BROWN	309,910		0.101

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on _____.

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

Registrant: KENNETH T. GATCHALIAN
Title: President

Signature: _____

Registrant: NESTOR S. ROMULO
Title: Corporate Secretary

Signature: _____

Registrant: RICHARD L. RICARDO
Title: Corporate Treasurer

Signature: _____

SUBSCRIBED AND SWORN to before me this 05 day of AUG, 2021, in QUEZON CITY (s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS

1. Kenneth T. Gatchalian
2. Nestor S. Romulo
3. Richard L. Ricardo

TAX IDENTIFICATION NO.

167-406-526
107-200-723
140-853-860

Doc. No.: 119
Page No.: 32
Book No.: 32
Series of: 2021

RAIMUNDO
ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 9296041 – 1-2-2020/ QC
IBP No. 093586 – 10-22-2019/ QC
Roll No. 30457 – 05-09-80
MCLE VI – 0030379
Adm. Matter No. NP-001(2020-2021)
TIN No. 131-942-754

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)

“Annex A.1”

		30-Jun-21	30-Jun-20	31-Dec-20
		Unaudited	Unaudited	Audited
ASSETS				
Current Assets				
Cash	11	₱32,275,651	₱22,585,838	₱33,101,605
Trade and other receivables	12	155,854,263	197,344,147	169,590,889
Other current assets	13	24,635,125	23,158,111	24,651,968
Total Current Assets		212,765,039	243,088,096	227,344,462
Noncurrent Assets				
Assets held for sale	14	573,741,074	364,656,836	577,074,835
Financial Assets at fair value through other comprehensive income	15	20,921,885	21,209,285	20,921,885
Financial Assets at amortized cost	16	-	2,038,632	-
Property and equipment – net	17	80,632,154	80,599,825	72,147,002
Deferred tax assets		5,558,432	5,410,936	5,558,432
Other noncurrent assets	18	12,114,434	7,449,158	11,737,905
Total Noncurrent Assets		692,967,979	481,364,672	687,440,059
TOTAL ASSETS		905,733,018	724,452,768	914,784,521
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	19	277,436,698	309,257,900	291,646,159
Lease Liability	20	34,051,307	25,452,455	34,051,307
Due to related parties, current portion	21	6,071,458	58,860,981	6,308,415
Total Current Liabilities		317,559,463	393,571,336	332,005,881
Noncurrent Liabilities				
Accrued expenses, non-current portion	19	123,438,803	123,438,803	123,438,803
Lease liability, non-current portion	20	34,810,789	49,633,157	34,810,789
Due to related parties, non-current portion	21	268,260,352	-	268,260,352
Accrued retirement benefit costs	28	8,636,254	7,760,977	8,636,254
Deferred tax liability		305,112	-	-
Total Noncurrent Liabilities		435,451,310	180,832,937	435,146,198
Total Liabilities		753,010,773	574,404,273	767,152,079
Stockholders' Equity				
Equity attributable to equity holders of the Parent Company				
Capital stock		306,122,449	306,122,449	306,122,449
Additional paid-in capital		3,571,923	3,571,923	3,571,923
Deficit		(213,459,510)	(212,005,603)	(214,668,844)
Remeasurement gain on retirement plan		4,205,315	4,204,357	4,205,315
Fair value reserve		4,650,922	4,938,322	4,650,922
		105,091,099	106,831,448	103,881,765
Non-controlling interests		47,631,146	43,217,047	43,750,677
Total Stockholders' Equity		152,722,245	150,048,495	147,632,442
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		₱905,733,018	₱724,452,768	₱914,784,521
<i>(The accompanying notes are integral part of these financial statements)</i>				

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)

“Annex A.2”

		Unaudited Apr. - Jun. 2021	Unaudited Apr. - Jun. 2020	Unaudited Jan. – Jun. 2021	Unaudited Jan. – Jun. 2020
SALE OF SERVICES	24	₱70,891,181	₱53,783,440	₱137,529,338	₱139,382,769
COST OF SERVICES	25	61,761,845	52,362,210	116,948,862	118,401,904
GROSS PROFIT		9,129,336	1,421,230	20,580,476	20,980,865
OTHER INCOME	26	7,777	792,856	487,662	989,089
GENERAL & ADMINISTRATIVE EXPENSES	27	(9,793,861)	(7,052,030)	(15,978,335)	(15,084,315)
INCOME BEFORE TAX		(656,748)	(4,837,944)	5,089,803	6,885,639
INCOME TAX (EXPENSE) / BENEFIT		-	-	-	-
NET INCOME		(656,748)	(4,837,944)	5,089,803	6,885,639
Net income (loss) attributable to:					
Equity holders of the Parent Company		(1,457,709)	(2,766,647)	1,209,334	2,864,564
Non-controlling interest		800,961	(2,071,297)	3,880,469	4,021,075
		(656,748)	(4,837,944)	5,089,803	6,885,639
Basic income (loss) per share					
Income for the year attributable to equity holders of the Parent Company		(₱0.0048)	(₱0.0090)	₱0.0040	₱0.0094

*Based on the weighted average number of shares of 306,122,449

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

"Annex A.4"

	June 30	
	2021	2020
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - ₱1 par value	₱306,122,449	₱306,122,449
Common shares		
Class "A"		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class "B"		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979		
Additional Paid-in Capital	3,571,923	3,571,923
Deficit		
Balance at beginning of the year	(214,668,844)	(214,870,166)
Adjustment to beginning balance of retained earnings	-	-
Net income	1,209,334	2,864,563
Balance at end of the period	(213,459,510)	(212,005,603)
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	4,650,922	4,938,322
Remeasurement Gain (Loss) on Retirement Plan	4,205,315	4,204,357
	8,856,237	9,142,679
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	105,091,099	106,831,448
MINORITY INTERESTS	47,631,146	43,217,047
TOTAL STOCKHOLDERS' EQUITY	₱152,722,245	₱150,048,495

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

“Annex A.3”

	Unaudited Jan. - Jun. 2021	Unaudited Jan. - Jun. 2020
CASH FROM OPERATING ACTIVITIES		
Income before income tax	₱5,089,803	₱6,885,639
Adjustments for:		
PFRS 16 transition adjustment	-	-
Write-off of receivables	-	-
Provision for probable losses	-	-
Provision for impairment on other current assets	-	-
Amortization of intangible assets	266,570	379,991
Depreciation	2,306,364	1,759,512
Gain on disposal of equipment	-	-
Written-off accrued retirement benefit	-	-
Provision for retirement benefit costs	-	-
Interest expense paid on lease liability	-	-
Interest income	(15,647)	(27,189)
Operating income before working capital changes	7,647,089	8,997,952
Changes in assets and liabilities:		
Trade and other receivables, net	13,736,626	(49,031,704)
Other current assets	(2,556,090)	(6,247,198)
Other non-current assets	(376,529)	(997,197)
Accounts payable and accrued expenses	(13,873,739)	34,638,411
Net Cash from Operating Activities	4,577,357	(12,639,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	15,647	27,189
Proceeds from asset held for sale	3,333,761	1,528,992
Acquisition of debt investment	-	-
Proceeds from disposal of property and equipment	-	-
Acquisition of asset held for sale	-	-
Acquisition of financial assets at amortized cost	-	-
Acquisition of property and equipment	(8,485,152)	984,303
Acquisition of intangible assets	-	-
Net Cash from Investing Activities	(5,135,744)	2,540,484
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on lease liability	-	-
Availment of (payment of) lease liability	-	-
Advances (repayments) of related parties	(267,567)	(297,566)
Net Cash from Financing Activities	(267,567)	(297,566)
NET INCREASE (DECREASE) IN CASH	(825,954)	(10,396,818)
CASH, Beginning	33,101,605	32,982,656
CASH, End	₱32,275,651	₱22,585,838

*See Notes to Consolidated Financial Statements

1. CORPORATE INFORMATION

Metro Alliance Holdings and Equities Corporation (MAHEC or the Parent Company), is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

In 2015, the SEC approved the amendment made to Article III of the Group’s Articles of Incorporation in regard to the change of Company’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation, specifically, Article Ninth to declassify common shares class A and B shares resulting to one common shares and also Article Sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of June 30, 2021, the amendment is pending for SEC approval.

2. STATUS OF OPERATION

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group Company will continue as a going concern.

The Group and Polymax Worldwide Limited (Polymax), its unconsolidated special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which, in 2016, resulted in a disputed sale of Polymax’s 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax’s 60% interest in the petrochemical plant.

Management Plan to Address Going Concern Uncertainties

The Parent Company still holds 20% interest in NPC Alliance Corporation (NPCAC) as of June 30, 2021. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC’s remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Actions of the Company

The Parent Company has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Group's resources and build confidence for its business direction:

- a) Commitment by the majority shareholders of the Group to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Group's equity be preserved;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- c) Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- d) Removing the "A" and "B" classification of the Group shares to integrate common shares into just one class.
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Parent Company will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Group is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

While the COVID-19 virus and the curtailment of worldwide mobility have created a difficult business environment, the Parent Company remains positive that a recovery is imminent, given the continuous rollout of vaccines this year.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of ₱573,741,074 as of June 30, 2021

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the Parent Company the direct shareholders of NPCA.

Manpower Requirements

The Group does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

COVID-19 Impact

The Group's management has also considered the consequences of COVID-19 and other events and made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue their business for the foreseeable future. The impact of COVID-19 on future performance and on the measurement of some assets and liabilities might be significant and might therefore require disclosure in the financial statements, but the management has determined that they do not create a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7million, consisting of the outstanding principal balance of ₱378.3million and finance charges of ₱488.4million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met. On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8million shares of common stock of NPCA with a total par value of ₱4.8billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI. On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon. On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NCPI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NCPI and the 20% interest of Polymax in NPCA was sold to NCPI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the measurement bases specified by Philippine Financial Reporting Standards (PFRS) for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

Going Concern Assumption

The preparation of the accompanying condensed consolidated financial statements of the Group is based on the premise that the Group operates on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

Functional and presentation currency

The consolidated financial statements are prepared in Philippine Peso (₱), which is the Group's functional and presentation currency.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

All values are presented in absolute amounts and are rounded off to the nearest peso except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries as of June 30:

	Percentage of Ownership	
	2021	2020
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Investment in subsidiary

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 (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

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

Non-controlling interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

Loss of control and disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the subsidiary, it:

- derecognizes the assets, including goodwill, and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of the any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss retained earnings, as appropriate.

Use of judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Group's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Group significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 5.

Adoption of new and revised accounting standards

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements:

New and Revised Accounting Standards Effective in 2020

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning January 1, 2020:

- *Conceptual Framework for Financial Reporting* – The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements of any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- *Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

- *IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (amendments), References to the Conceptual Framework in PFRS* – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

- *Amendments to PFRS 3, Business Combinations - Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- *PFRS 9, PAS 39 and PFRS 7 (amendments), Interest Rate Benchmark Reform.* – The amendments will affect entities that apply the hedge accounting requirements of PFRS 9 or PAS 39 to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

New and Amended Standards Effective Subsequent to 2020 but not Early Adopted

Pronouncements issued but not yet effective as at June 30, 2021 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective beginning on or after June 1, 2020

Amendments to PFRS 16, COVID-19-related Rent Concessions – the amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which PFRS 16 Leases defines as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”.

The changes in Covid-19-Related Rent Concessions amend PFRS 16 to:

- 1) provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- 2) require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- 3) require lessees that apply the exemption to disclose that fact; and
- 4) require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as the adjustment to the opening balance of the accumulated profits or other component of equity, as appropriate.

The amendments have no effect or impact to the Group’s financial statements.

Effective beginning on or after January 1, 2021

PFRS 9, PFRS 7, PFRS 4 and PFRS 16 (amendments), Interest Rate Benchmark Reform – Phase 2

The amendments provide in the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- Relief from discontinuing hedging relationships;
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively.

Effective beginning on or after January 1, 2022

Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use - the purpose of the amendments is to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract – the amendment is regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to PFRS 3, Reference to the Conceptual Framework with amendments to PFRS 3 'Business Combinations – the amendments update an outdated reference in PFRS 3 without significantly changing its requirements. The changes are: update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2023

Amendments to PAS 1, Classification of Liabilities as Current or Non-current – the amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. To:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to PFRS 17, Insurance Contracts – the amendments' purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination; extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Deferred

PFRS 10 (amendments), Consolidated Financial Statements, and PAS 28 (amendments), Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Annual Improvements to PFRS

The annual improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2018-2020 Cycle

The Annual Improvements to PFRSs (2018-2020 Cycle) are effective for annual periods beginning on or after January 1, 2022, with retrospective application. The amendments to the following standards:

- PFRS 1, Subsidiary as a first-time adopter - The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1: D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).
- PFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the consolidated financial statements.

- PFRS 16, Lease Incentives - The amendment removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- PAS 41, Taxation in fair value measurements - The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are not expected to have a material impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

Financial assets and financial liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

As of June 30, 2021 and 2020, the Group does not have financial assets and liabilities measured at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of June 30, 2021 and 2020, the Group’s cash, trade and other receivables, refundable deposits and investment in debt securities are included under this category.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income. As at June 30, 2021 and 2020, the Group has no financial assets at FVPL.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

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

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of June 30, 2021 and 2020, the Group's equity investments at FVOCI are included under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of June 30, 2021 and 2020, the Group's accounts payable and accrued expenses, lease liability and due to related parties are included under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost and FVOCI

The Group records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For loan receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of financial assets and liabilities

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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 amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting financial instrument

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Group at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statements of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in the OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 par value is determined.

Fair value measurement

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statement 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 prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee (ExeCom), its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 6, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, Operating Segments, are the same as those used in its consolidated financial statements.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Cash

Cash includes cash funds, undeposited cash collections and customers' checks. Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate.

The Group recognized cash as current asset when it is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Trade and other receivables, net

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment is considered when there is objective evidence that the Group will not be able to collect the debts.

Other current assets, net

Other assets are recognized when the Group expects to receive future economic benefit from the other party, and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

Asset held for sale

An asset is classified as asset held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and equipment, net

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

Particulars	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	3 to 5
Office furniture, fixtures and equipment	3 to 5
Right-of-use assets	2 to 5

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. Further, amortization of right-of-use assets is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

Intangible assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial asset

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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 cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with supplier including amounts due to employees. It is necessary to estimate the amount of accruals; however, the uncertainty is generally much less than for provision.

Equity

Share capital

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net

Retained earnings (deficit)

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has debit balance, it is called "deficit", and presented as a deduction from equity of tax, from the proceeds.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, duties and sales taxes. Revenue includes only the gross inflow of the economic benefits received and receivable by the Company on its own account. Amounts collected on behalf of third parties, such as reimbursable transactions are not economic benefits to the Group and do not result in increase in equity; therefore, they are excluded from revenue.

- Logistics and other services is recognized when the related services are rendered.
- Dividend income is recognized when the right to receive the payment is established.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.
- Other income is recognized when earned.

Cost and expenses

Costs and expenses are decreases in economic benefits during the year in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity other than those relating to distribution to equity participants. Costs and general and administrative expenses and interest expense are recognized in consolidated statements of comprehensive income in the period these are incurred.

- *Cost of services* - include direct material costs, personnel expenses, depreciation, utilities and other service-related costs. These are recognized when the services are used or the expenses are incurred.
- *General and administrative expenses* - Expenses incurred in the direction and general administration of day-to-day operation of the Company are generally recognized when the services are used or the expenses incurred.

Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

As a lessee

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

(a) Right-of-use asset

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

(b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Retirement benefits cost

Employee benefits are all forms of considerations given by the Group in exchange for service rendered by the employees. It includes short-term employee benefits and post-employment benefits.

Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefits, or other long-term employee benefits.

Retirement benefits

The Group does not have a defined contribution plan or any formal retirement plan that covers the retirement benefits of its employees. However, under the existing regulatory framework, Republic Act No. 7641, otherwise known as the Philippine Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however

that the employee's retirement benefits under any collective bargaining agreement and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan.

Republic Act No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group.

The Group provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

Income tax

Current income tax

Current income tax assets and liabilities for the current period is 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.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when 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 from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), 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 from MCIT and NOLCO and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences 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 allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

Value Added Taxes (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

For acquisition of capital goods over ₱1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

Output tax pertains to the 12% VAT received or receivable on the local sale of goods or services by the Group. Input tax pertains to the 12% VAT paid or payable by the Group in the course of its trade or business on purchase of goods or services. At the end of each taxable period, if output tax exceeds input tax, the outstanding balance is paid to the taxation authority. If input tax exceeds output tax, the excess shall be carried over to the succeeding months.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'other current assets' or 'accounts payable and accrued expenses' in the comprehensive statements of financial position.

Related parties

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Group and close members of the family of any individuals owning directly or indirectly a significant voting power of the Group that gives them significant influence in the financial and operating policy decisions of the Group are also considered to be related parties.

An entity is related to the Group if any of the following conditions apply:

- The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member)
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group
- The entity is controlled or jointly controlled by a person identified above
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner, and dependents of that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Group when it directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Group. Transactions between related parties are based on terms similar to those offered to non-related entities in an economically comparable market, except for non-interest-bearing advances with no definite repayment terms.

Earnings per share (EPS) attributable to equity holders

Basic EPS is calculated by dividing the profit attributable to the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted EPS for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

The Group has no dilutive potential common shares outstanding.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a Group asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

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

Events after the reporting date

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with PFRS requires the Group's management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

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

Going concern

As of June 30, 2021, the Group's management has made an assessment on the Group's ability to continue as a going concern in the current evolving environment especially on the impact of COVID-19 pandemic and is satisfied that the Group has the resources to continue their business for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of functional currency

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

Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

Classifying financial instruments

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Assessing significant influence and control over investee.

The Group determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

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

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Group owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. While the Group has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, in 2007 up to the current year, the SPE was no longer consolidated because it had ceased operating as a going concern.

Determination whether an agreement contains a lease

The determination of whether a contract is, or contains a lease, is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has entered into a lease arrangement as a lessor and a lessee.

Accounting for lease commitments

Group as a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

The rent income recognized for the 2nd quarters 2021 and 2020 amounted to ₱23,165,242 and ₱28,241,606, respectively (Note 31).

Group as a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

In 2019, the Group entered into lease agreements with terms ranging from 2 to 5 years, ending April 2020, May 2021 and October and November 2024. All are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Leases are further disclosed in Notes 20 and 31.

Repairs and maintenance

Costs of repairs and maintenance that do not result in an increase in the future economic benefit of an item of property and equipment is charged to operations in the period it is incurred. Otherwise, it is capitalized as part of the asset.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value of financial instruments

PFRS requires that financial assets and financial liabilities be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any change in the fair values of financial assets and financial liabilities directly affects profit or loss, equity, and the required disclosures.

Where the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair values are determined using valuation techniques that are generally-accepted market valuations including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair values of financial assets and financial liabilities by category and their fair value hierarchy are set out in Note 10 to the financial statements.

Impairment of equity investments

The Group treats equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as a decline of 20% or more below of the original cost of the investment, and "prolonged" as period longer than 12 months. In addition, the Group evaluates other factors for equity investments with no quoted bid prices such as changes in the issuer's industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Assessing ECL on financial assets

The Group applies the general approach in measuring the ECL. For cash in banks the Group assessed that cash is deposited with reputable banks that possess good credit ratings. For loan receivable, accrued interest receivable, advances to contractors and related parties, the Group considers the financial capacity

of the counterparty. No ECL was recognized in June 30, 2021 and 2020. The carrying amounts of the Group's financial assets are as follows:

	2021	2020
Cash and cash equivalents	₱32,275,651	₱22,585,838
Receivables	155,854,263	197,344,147
Refundable deposits	11,560,996	10,992,898
	₱199,690,910	₱230,922,883

Estimating allowance for probable losses

The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱150,522,844 and ₱149,004,715 as of June 30, 2021 and 2020, respectively) amounted to ₱155,854,263 and ₱197,344,147 as of June 30, 2021 and 2020, respectively (see Note 12).

The carrying amount of other current assets amounted to ₱24,635,125 and ₱23,158,111 as of June 30, 2021 and 2020, respectively as discussed in Note 13.

In June 30, 2021 and 2020, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱14,336,880 and ₱12,886,123, respectively, as shown also in Note 13.

Advances to Polymax (under asset held for sale) amounting to ₱573,741,074 and ₱364,656,836 as of June 30, 2021, respectively, constitute 63.35% and 50.34% of the Group's total assets at the 2nd quarter of 2021 and 2020, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 14.

Estimating useful lives and residual values of property and equipment and intangible assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in 2021 and 2020 of the 2nd quarter.

Evaluation of impairment of noncurrent non-financial assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction 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. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, property and equipment, net of accumulated depreciation, amounted to ₱80,632,154 and ₱80,599,825, respectively, (Note 17) and total depreciation charged to operations amounted to ₱2,306,364 and ₱1,759,512 (Note 17) for periods ending 2nd quarter of June 30, 2021 and 2020, respectively.

Assessing realizability of deferred tax assets

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the amount 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 assets to be utilized in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

The recognized net deferred tax assets amounted to ₱5,558,432 and ₱5,410,936 as of June 30, 2021 and 2020, respectively.

The Group did not recognize deferred tax assets of the Group and its non-operating subsidiaries amounting to ₱42,046,706 and ₱51,118,261 as of June 30, 2021 and 2020, respectively, as management believes that the Group and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in.

Incremental borrowing rate of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Group on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In 2020 and 2019, the Group's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱68,862,096 and ₱75,085,611 is ranging from 3% to 5% (Note 20).

Retirement benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 30 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱8,636,254 and ₱7,760,977 as of June 30, 2021 and 2020, respectively.

Provision and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The policy on the recognition and disclosure of provisions is discussed in Note 4.

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 31. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

6. BUSINESS COMBINATION

The Parent Company, Metro Alliance Holdings and Equities Corp., owns the following and these are accounted using the acquisition method:

Metro Combined Logistics Solutions, Inc. (MCLSI) (Formerly GAC Logistics, Inc. (GACL)

MCLSI is 51% owned by the Parent Company, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI was registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the business of contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value-added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

Non-operating subsidiaries

Consumer Products Distribution Services, Inc. (CPDSI)

CPDSI is a wholly owned subsidiary of the Parent Company. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). On November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business. Currently, CPDSI has no business operations.

FEZ-EAC Holdings, Inc.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Parent Company on November 11, 2002. It was incorporated on February 3, 1994. It ceased operations at the end of 2001 following the expiration of the third -party logistics contract of its subsidiary with Phillip Morris Philippines, Inc.

Zuellig Distributors, Inc.

Zuellig Distributors, Inc. is a wholly owned subsidiary of the Parent Company. It ceased operations on June 30, 1999 following the expiration of its exclusive distribution agreement with its single principal. It was incorporated on October 18, 1985.

Asia Healthcare, Inc.

Asia Healthcare, Inc. is 60% owned by the Parent Company. AHI was first incorporated on July 2, 1918. In August 2000, the Parent Company invested in AHI. However, in 2002, it ceased operations due to heavy losses. The low volume and minimal margin on the sales of pharmaceutical products have not been sufficient to cover the costs of the services and products provided by AHI. Consequently, AHI was constrained to terminate contracts with its clients and cease its business operations. On December 17, 2002, AHI filed a voluntary petition for insolvency with the Pasig City Regional Trial Court (RTC). On February 27, 2003, the Pasig City RTC declared AHI as insolvent.

Management is considering a rationalization plan to address the future of these non-operating subsidiaries.

7. SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

In determining whether an NCI is material to the Parent Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Parent Company's interests in these entities, and the effects of those interests on the Parent Company's financial position. Factors considered include, but not limited to, carrying value of the subsidiary's NCI relative to the NCI recognized in the Parent Company's consolidated financial statements, the subsidiary's contribution to the Parent Company's consolidated revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on management's assessment, the Group has concluded that MCLSI is considered a subsidiary with NCI that is material to the Parent Company.

The ability of the subsidiary to pay dividends or make other distributions or payments to their shareholders (including the Parent Company) is subject to applicable law and other restrictions contained in financing agreements, shareholder agreements and other agreements that prohibit or limit the payment of dividends or other transfers of funds.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are composed of cash and cash equivalents, receivable and payables. The main purpose of these financial instruments is to raise finances for the Group's operations. The risks arising from the use of financial instruments are managed through a process of on-going identification, measurement, and monitoring. This process of risk management is critical to the Group's continuing profitability.

The BOD is ultimately responsible for overall risk management approach, monitoring risk exposures, and approving risk mitigation strategies and policies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

Objectives and policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group is cash. This financial instrument is used mainly for working capital management purposes. Trade-related financial assets and financial liabilities of the Group such as trade and other receivables and trade and other payables, excluding statutory liabilities, arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Interest Rate Risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of June 30, 2021 and 2020, the Group has no significant interest rate risk exposures since the interest rates are fixed up to the date of maturity.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below shows the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management as of June 30:

	2021			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost:				
Cash excluding cash on hand	₱32,097,651	₱-	₱-	₱32,097,651
Trade and other receivables	-	155,854,263	-	155,854,263
Investment in debt security	-	-	-	-
Refundable deposits	-	124,898	11,436,098	11,560,996
	32,097,651	155,979,161	11,436,098	199,512,911
Financial Assets at FVOCI	-	-	20,921,885	20,921,885
Total	32,097,651	155,979,161	32,357,983	220,434,796
Financial Liabilities:				
Account payables and accrued expenses	-	277,436,698	123,438,803	400,875,501
Lease liability	-	34,051,307	34,810,789	68,862,096
Due to related parties	-	274,331,810	-	274,331,810
Total	-	585,819,815	158,249,592	744,069,407
Net Position	₱32,097,651	(₱429,840,654)	(₱125,891,609)	(₱523,634,611)

	2020			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost:				
Cash excluding cash on hand	₱22,379,838	₱-	₱-	22,379,838
Trade and other receivables	-	197,344,147	-	197,344,147
Investment in debt security	-	-	2,038,632	2,038,632
Refundable deposits	-	4,350,801	6,642,097	10,992,898
	22,379,838	201,694,948	8,680,729	232,755,516
Financial Assets at FVOCI	-	-	21,209,285	21,209,285
Total	22,379,838	201,694,948	29,890,014	253,964,801
Financial Liabilities:				
Account payables and accrued expenses	-	309,257,900	123,438,803	432,696,703
Lease liability	-	25,452,455	49,633,157	75,085,612
Due to related parties	-	58,860,981	-	58,860,981
Total	-	393,571,336	173,071,960	566,643,296
Net Position	₱22,379,838	(₱191,876,388)	(₱143,181,946)	(312,678,495)

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements).

As at June 30, 2020, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired.

- a. Financial information on the Group's maximum exposure to credit risk as of June 30, 2021, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	2021	2020
Cash and cash equivalents	₱32,275,651	₱22,585,838
Receivables	155,854,263	197,344,147
Refundable deposits	11,560,996	10,992,898
	₱199,690,910	₱230,922,883

The Group does not hold any collateral as security or other credit enhancements attached to its financial assets.

The credit risk for is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

- b. Credit quality per class of financial assets

Description of the credit quality grades used by the Group follows:

Financial assets at FVOCI

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Group. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Financial assets at amortized cost

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The following table show a comparison of the credit quality of the Group's financial assets by class as at the reporting date as of June 30:

	2021			
	Neither past due nor impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
Financial Assets at amortized cost				
Cash excluding cash on hand	₱32,097,651	₱-	₱-	₱32,097,651
Trade Receivables (gross)	-	115,098,728	-	115,098,728
Other Receivables (gross)	-	-	40,586,523	40,586,523
Investment in Debt Security	-	-	-	-
Refundable Deposit	11,560,996	-	-	11,560,996
Subtotal	43,658,648	115,098,728	40,586,523	199,343,898

Financial Assets at FVOCI	20,921,885	-	-	20,921,885
Total	₱64,580,533	₱115,098,728	₱40,586,523	₱220,265,783

	2020			
	Neither past due nor impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
Financial Assets at amortized cost				
Cash excluding cash on hand	₱22,379,838	₱-	₱-	₱22,379,838
Trade Receivables (gross)	-	156,921,502	-	156,921,502
Other Receivables (gross)	-	-	40,253,421	40,253,421
Investment in Debt Security	2,038,632	-	-	2,038,632
Refundable Deposit	10,992,898	-	-	10,992,898
Subtotal	35,411,369	156,921,502	40,253,421	232,586,291
Financial Assets at FVOCI	21,209,285	-	-	21,209,285
Total	₱56,620,654	₱156,921,502	₱40,253,421	₱253,795,576

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults.

The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

9. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debt, return capital to shareholders or issue new shares.

The Group considers its equity as capital.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below as of June 30:

	2021	2020
Total Liabilities	₱753,010,773	₱574,404,273
Total Equity	152,722,245	150,048,495
	4.93:1	3.83:1

The Group has remained steadfast to regain its equity funding. Several actions were taken to conserve and manage the capital structure (Note 2).

10. FAIR VALUE MEASUREMENT

Carrying amounts and fair values by category

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments for the quarters ended June 30, 2021 and 2020:

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at amortized cost				
Cash excluding cash on hand	₱32,097,651	₱32,097,651	22,585,838	22,585,838
Trade and other receivables	155,854,263	155,854,263	197,344,147	197,344,147
Investment in debt security	-	-	2,038,632	2,038,632
Refundable deposits	11,560,996	11,560,996	10,992,898	10,992,898
Subtotal	199,512,911	199,512,911	232,961,515	232,961,515
Financial Assets at FVOCI	20,921,885	20,921,885	21,209,285	21,209,285
Total	220,434,796	220,434,796	254,170,800	254,170,800
Financial Liabilities				
Accounts payable and Accrued expense	400,875,501	400,875,501	432,696,703	410,522,391
Lease Liability	68,862,096	68,862,096	75,085,612	75,085,612
Due to related parties – current and non-current portion	274,331,810	274,331,810	58,860,981	58,860,981
Total	₱744,069,407	₱744,069,407	566,643,296	544,468,984

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

Financial assets at FVOCI

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted equity securities are carried at cost, subject to impairment.

Financial assets at amortized cost

The carrying value of debt investment approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Due from/to related parties. The carrying amounts of these related party transactions approximate their fair values.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy Group's financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for asset or liability that are not based on observable market data (unobservable inputs).

The following table summarizes the fair value hierarchy of the Group's financial assets and liabilities, which are measured at fair value or requires disclosure as prescribed by other PFRS, as at June 30, 2021 and 2020:

	2021		2020	
	Level 1	Level 3	Level 1	Level 3
Financial assets at amortized cost				
Cash	₱32,275,651	₱-	₱22,585,838	₱-
Trade and other receivables, net	-	155,854,263	-	197,344,147
Debt investments	-	-	2,038,632	-
Refundable deposits	-	11,560,996	-	10,992,898
Subtotal	32,275,651	167,415,259	24,624,470	208,337,045
Financial assets at FVOCI	20,921,885	-	21,209,285	-
Total	53,197,536	167,415,259	45,833,755	208,337,045
Financial liabilities				
Accounts payable and accrued expenses	-	400,875,501	-	432,696,703
Lease liability	-	68,862,096	-	75,085,612.00
Due to related parties – current and non-current portion	-	274,331,810	-	58,860,981
Total	₱-	₱744,069,407	₱-	₱566,643,296

As at June 30, 2021 and 2020, there are no financial assets or financial liabilities measured at fair value. There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2021 and 2020.

Financial instruments not measured at fair value for which fair value is disclosed

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine fair value of such instruments are not based on observable market data.

11. CASH

Details of cash are as follows as of June 30:

	2021	2020
Cash on hand	₱178,000	₱206,000
Cash in banks	32,097,651	22,379,838
	₱32,275,651	₱22,585,838

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱15,647 and ₱7,871 as of June 30, 2021 and 2020, respectively.

12. TRADE AND OTHER RECEIVABLES

Details of receivables are as follows as of June 30:

	2021	2020
Notes receivables	₱143,865,021	₱143,865,021
Trade receivables	116,616,857	156,921,505
Due from affiliates	5,308,706	5,308,916
Others receivables	40,586,523	40,253,421
	306,377,107	346,348,862
Less allowance for probable loss	(150,522,844)	(149,004,715)
	₱155,854,263	₱197,344,147

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

	2021	2020
Balance at beginning of year	₱149,004,715	₱148,129,986
Provision for the year	1,518,129	874,729
Balance at end of year	₱150,522,844	₱149,004,715

13. OTHER CURRENT ASSETS, NET

Details are as follows as of June 30:

	2021	2020
Creditable withholding taxes	₱9,301,015	₱9,300,295
Input taxes	9,992,958	8,372,139
Refundable deposits	124,898	4,350,801
Prepayments and others	19,553,133	14,020,999
	38,972,004	36,044,234
Less: allowance for probable losses	14,336,879	12,886,123
	₱24,635,125	₱23,158,111

14. ASSET HELD FOR SALE

Asset held for sale amounting to ₱573,741,074 and ₱364,656,836 as of June 30, 2021 and 2020, respectively, which constitutes 63.35% and 50.34% of the Group's total assets as of June 30, 2021 and 2020, respectively, represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. The realization of the Group's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Group is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Group's advances to Polymax, the Group's major stockholders issued a letter of comfort in favor of the Group on September 30, 2014 and was reiterated on April 10, 2015.

On December 16 and 22, 2015, the Group was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

In June 30, 2021 and 2020, the Parent Company made additional collections of the advances from Polymax amounting to ₱3,333,761 and ₱1,528,992, respectively.

Due from related parties of Polymax represents amount due from the Wellex Group of companies.

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of June 30, the account consists of:

	2021	2020
At acquisition cost	₱16,270,963	₱16,270,963
Cumulative fair value gain (loss) – in equity	4,650,922	4,938,322
Total	₱20,921,885	₱21,209,285

The investment in securities consists of investment in shares of stock of a publicly listed Group whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

16. FINANCIAL ASSETS AT AMORTIZED COST

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) bonds through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021.

Carrying amount of the bond investment on June 30, 2021 and 2020 amounted to nil and ₱2,038,632, respectively. On 2020, the Group terminated the bond investment for total proceeds of ₱2,038,632.

17. PROPERTY AND EQUIPMENT, NET

As of June 30, this account consists of the following:

June 30, 2021	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
Cost						
Balances at beginning of year	₱2,778,558	₱28,284,724	₱17,874,494	₱296,141	₱129,512,590	₱178,746,507
Additions/(Disposals)	2,360,492	6,725,730	1,705,883	-	-	10,792,105
Balances at end of year	5,139,050	35,010,454	19,580,377	296,141	129,512,590	189,538,612
Accumulated Depreciation						
Balances at beginning of year	2,511,769	24,275,167	16,167,862	190,342	63,454,365	106,599,505
Depreciation	326,934	1,237,097	707,067	35,266	-	2,306,364
Additions/(Disposals)	-	-	-	-	-	-
Balances at end of 2nd quarter	2,838,703	25,512,264	16,875,518	225,608	63,454,366	108,906,459
Net book value	₱2,300,347	₱9,498,189	₱2,704,859	₱70,534	₱66,058,225	₱80,632,154

June 30, 2020	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
Cost						
Balances at beginning of year	₱2,622,377	₱27,759,760	₱17,136,887	₱296,141	₱106,304,776	₱154,119,941
Additions/(Disposals)	156,181	118,714	500,901	-	-	775,797
Balances at end of year	2,778,558	27,878,474	17,637,788	296,141	106,304,776	154,895,738
Accumulated Depreciation						
Balances at beginning of year	2,124,403	22,450,810	15,042,518	119,811	32,798,271	72,535,813
Depreciation	232,947	902,278	589,021	35,265	-	1,759,511
Additions/(Disposals)	-	-	589	-	-	589
Balances at end of 2nd quarter	2,357,350	23,353,088	15,632,128	155,077	32,798,271	74,295,913
Net book value	₱421,208	₱4,525,386	₱2,005,661	₱141,064	₱73,506,505	₱80,599,825

For both quarters 2021 and 2020, the Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

In 2019, the Company sold transportation equipment with a total net book value of ₱89,898 for net proceeds of ₱387,200, which resulted to a net gain on disposal amounting to ₱297,302.

Depreciation expense is recognized under cost of services and general and administrative expense for the 2nd quarter to wit:

	2021	2020
Cost of services (Note 26)	₱-	₱-
General and administrative expenses (Note 27)	1,356,341	893,567
	<u>₱1,356,341</u>	<u>₱893,567</u>

18. OTHER NONCURRENT ASSETS

As of June 30, this account composed of the following:

	2021	2020
Refundable deposits – non-current portion	₱11,436,098	₱6,642,097
Intangible assets	678,336	807,061
Total	<u>₱12,114,434</u>	<u>₱7,449,158</u>

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of June 30, 2021 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	2,590,039	75,000	2,665,039
Total	5,060,084	75,000	5,135,084
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,720,134	266,570	1,986,704
Total	4,190,179	266,570	4,456,749
Carrying amount	₱869,905	(₱191,570)	₱678,336

The carrying amount of intangible assets as of June 30, 2020 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,825,646	-	1,825,646
Payroll System	-	651,786	651,786
Total	4,295,691	651,786	4,947,477
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,290,380	379,991	1,670,371
Total	3,760,425	379,991	4,140,416
Carrying amount	₱535,266	₱271,795	₱807,061

Intangible assets which have been fully amortized were due to MCLSI's management assessment that these will no longer provide a future economic benefit to the Group.

The Group has no intangible assets pledged as security for any liability and has no outstanding contractual commitments to acquire certain intangible assets.

19. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are shown below as of June 30:

	2021	2020
Current Portion		
Trade Payables	₱67,343,224	₱97,181,360
Accrued Expenses	173,014,445	174,443,223
Other current liabilities	37,079,029	37,633,317
Total	277,436,698	309,257,900
Non-Current Portion		
Accrued Expenses	123,438,803	123,438,803
Total	₱400,875,501	₱432,696,703

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Group and Polymax and pending claims and tax assessment solely against the Group. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

The Parent Company reclassified to non-current portion the accruals made which pertains to management fee and reserve for contingency BIR amounting to ₱39,685,406 and ₱83,753,397, respectively. These are not expected to be settled within one year or the Group's operating cycle, whichever is longer.

Other liabilities mainly pertain to payable to government agencies.

These liabilities are unsecured and noninterest-bearing.

20. LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of June 30, 2021 and 2020, the Group's determined incremental rate used is 5%.

	2021	2020
Current	₱34,051,306	₱25,452,454
Noncurrent	34,810,789	49,633,157
Total	₱68,862,095	₱75,085,611

21. DUE TO RELATED PARTIES

Details of this account are as follows as of June 30:

	2021	2020
Acesite Phils Hotel Corp	₱5,627,202	₱5,627,202
The Wellex Group, Inc	-	52,876,888
Philippine Estate Corporation (Note 29)	268,260,352	-
Others	444,257	356,891
Total	₱274,331,810	₱58,860,981

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

22. INCOME TAXES

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery or Tax incentives for Enterprises Act” (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

23. SHARE CAPITAL

The Group's capital stock as of June 30 consists of the following common shares:

	2021	2020
Class “A” – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱720,000,000	₱720,000,000
Issued and outstanding – 183,673,470 shares with par value of ₱1	183,673,470	183,673,470
Number of equity holders	629	629
Class “B” – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	480,000,000	480,000,000
Issued and outstanding – 122,448,979 shares with par value of ₱1	122,448,979	122,448,979
Number of equity holders	404	404
Additional Paid-in Capital	₱3,571,923	₱3,571,923

The two classes of common shares are identical in all respects, except that Class “A” shares are restricted to Philippine nationals and the total number of Class “B” shares is limited to two-thirds of the total outstanding Class “A” shares.

On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Group's management has decided to pursue the said increase in authorized capital stock of the Group.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation, specifically, Article ninth to declassify common shares class A and B shares resulting to one common shares and also Article sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of June 30, 2021, the amendment is pending for SEC approval.

24. SALES OF SERVICES

For the 2nd quarter ended June 30, 2021 and 2020, the account comprises of sale of services amounting to ₱70,891,181 and ₱53,783,440, respectively.

25. COST OF SERVICES

Details of this account are shown below for the 2nd quarter June 30:

	2021	2020
Personnel costs	₱28,148,999	₱22,057,243
Rent and utilities	16,858,488	15,647,937
Transportation and Travel	7,897,344	7,708,359

Outside services	5,885,376	4,004,657
Security services	2,482,879	2,343,894
Communication and office supplies	117,400	131,909
Depreciation and amortization	-	-
Repairs and maintenance	156,918	49,115
Others	214,441	419,096
	₱61,761,845	₱52,362,210

26. OTHER INCOME (EXPENSES), NET

Details of this account are shown below for the 2nd quarter June 30:

	2021	2020
Interest income	₱15,647	₱12,156
Other income	-	780,700
Miscellaneous	472,014	-
	487,662	792,856
Interest Expense	-	(3,500)
Net	₱487,662	₱789,356

27. GENERAL AND ADMINISTRATIVE EXPENSE

Details of this account are shown below for the 2nd quarter June:

	2021	2020
Professional fee	₱714,162	₱499,508
Entertainment	342,610	263,062
Personnel cost	3,138,082	3,218,988
Rent and utilities	360,432	249,221
Amortization	122,233	199,048
Depreciation	1,356,341	893,567
Interest expense	-	3,500
Communication and supplies	1,332,937	1,233,076
Transportation and travel	(30,031)	84,087
Taxes and Licenses	2,403,691	356,039
Insurance	38,823	33225.64
Miscellaneous	8,530	-
Others	6,049	18,708
	₱9,793,860	₱7,052,030

28. RETIREMENT BENEFIT COSTS

The Parent Company has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of MCLSI's fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. In 2020, the Board of Directors of the Parent Company approved the write-off of the remaining retirement benefit payable of the Parent Company.

Accrued retirement benefits costs amounted to ₱8,636,254 and ₱7,760,977 as of June 30, 2021 and 2020, respectively.

29. RELATED PARTY TRANSACTIONS

a. Due from/to related parties

In 2020, the Parent Company acknowledged its obligation to PHES, an affiliate who granted an interest-bearing, due, and demandable loan in favor of the Parent Company.

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Group Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Group Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

c. Compensation of key management personnel follows:

Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective group's retirement plan.

d. The related relationships and amounts applicable to the Group's transactions with related parties as of June 30, 2021 and 2020 are as follows:

Name of the related party	Relationship	Nature of transaction	Country of incorporation
The Wellex Group, Inc.	Affiliate	Holding company	Philippines
Metro Combined Logistics Solutions, Inc.	Subsidiary	Third party logistics and warehousing	Philippines
Polymax Worldwide Limited	Affiliate	Series of acquisition transaction	British Virgin Island
Acesite (Phils.) Hotel Corporation	Affiliate	Hotel business and other accommodations	Philippines
Philippine Estate Corporation	Affiliate	Holding and developing real estate	Philippines

		Transactions		Outstanding Balance	
Terms & Conditions		2021	2020	2021	2020
Due from Related Parties					
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	₱-	₱-	₱5,258,409	₱5,258,609
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	50,297	50,307
Total		-	-	5,308,706	5,308,916
Advances (Asset held for sale)					
Polymax	Represents 20% share investment in NPCA	(3,333,761)	(1,528,992)	573,741,074	364,656,836
Due to related parties					
Acesite (Phils) Hotel Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	5,627,202	5,627,202

Philippine Estate Corporation	Secured, no impairment, no guarantee, interest bearing			268,260,352	-
Wellex Mining Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	52,876,188
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	236,957	297,366	444,257	356,891
Total		₱236,957	₱297,366	₱274,331,810	₱58,860,281

The Parent Company issued a promissory note and unconditionally promise to pay Philippine Estate Corporation, its affiliate, the principal amount of ₱263,000,345 and its legal interest of 2% per annum.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. This is an interest-bearing, due, and demandable loan wherein payment was not made until June 2020. Thus, an annual interest was incurred in December 31, 2020 amounting to ₱5,260,007, and totaled to ₱268,260,352 at the end of December 31, 2020, which is payable for five years (Note 21).

In 2020, the Board of Directors approved, the offset of the Parent Company's collectibles from Polymax (Asset Held for Sale) in the amount of ₱52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. (Note 21).

30. BASIC INCOME (LOSS) PER SHARE

Details of this account are shown below for the 2nd quarter June 30:

Particulars	2021	2020
Net income/(loss) attributable to equity holders of the Parent Company	(₱1,457,709)	(₱2,766,647)
Weighted average number of common shares	306,122,449	306,122,449
Basic income per share	(₱0.0048)	(₱0.0090)

31. SIGNIFICANT COMMITMENTS

Lease Agreements

As a lessor

MCLSI, the operating subsidiary of the Parent Company recognized rent income, for the quarter ended June 30, 2021 and 2020 ₱23,165,242 and ₱28,241,606, respectively.

As a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

As permitted by PFRS 16, the Group applied the modified retrospective approach to existing operating leases which are capitalized under the new standard (i.e. retrospectively, with the cumulative effect recognized at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

Thus, in 2018, no restatement was made to the recognized rent expenses amounting to ₱35,490,383.

In 2019, the Group entered into lease agreements with terms ranging from 2 to 5 years, ending April 2020, May 2021 and October and November 2024. All are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

As of June 30, 2021, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱63,454,366 (Note 17) and ₱68,862,096 (Note 20), respectively.

Logistics Agreements

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

COVID-19 Impact

In early 2020, the world was adversely affected by the COVID-19, which was declared a pandemic by the World Health Organization. In a move to contain the COVID-19 outbreak, the Philippine government initiated directives to impose stringent social distancing measures and guidelines under different levels of community quarantine depending on the assessment of the situation in the numerous parts of the country. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Group's timeline for the commencement of the operations were delayed due to limited movement within the region and the start of monsoon season.

The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by the government, businesses and individuals, which could result in different outcomes. Considering the evolving nature of the outbreak, the Group will continue to monitor the situation in subsequent periods.

32. OTHER MATTERS

(a) Metro Alliance vs. Commissioner of Internal Revenue

Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

On July 5, 2002, the Group received a decision from the Court of Tax Appeals (CTA) denying the Group's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Group filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Group then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Group. The Group, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

On April 26, 2006, the Group filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of June 30, 2021, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.

(b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18

Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

On September 14, 2005, the Group (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Group was able to get the formal trial started and on-going. The Group's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Group. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

In 2020, the Parent Company already acknowledged the obligation to PHES, which was due and demandable on June 30, 2020. The Parent Company, however, failed to pay the amount on that date, for which, legal interest has been accrued at the end of the year. Total amount due to PHES is ₱268,260,352.

(c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513
Civil Action with Damages to Nullify the Foreclosure of Property

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to

Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, et al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et al. filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Group received a copy of PVB's "Comment/Opposition" dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 30, 2019.

On February 23, 2021, the case was set for the presentation of plaintiffs' evidence. However, the case was rescheduled on June 22, 2021 due to lack of return card of the notice of the hearing sent to defendant's counsel. It was again reset on September 14, 2021 as the court was placed on lockdown on June 22, 2021 due to COVID pandemic.

- (d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Group, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Group and NPC Group, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Group having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the mounting losses coupled with the unfettered control of the NPC Group on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Group against the NPC Group was set for hearing. In support of their application, Metro Group presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16,

2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/ Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under the reasoning that he is a stockholder of NPCAC.

On February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

Subsequently, the defendants filed a Petition for Certiorari and Prohibition with Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals. On December 18, 2020, the plaintiffs have filed their Comment through their legal representative. To date, the Parent Company has not received any order of Execution relative to this case.

- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS**

	Jan-Jun 30 2021	Jan-Jun 30 2020
Profitability ratios:		
Return on assets	0.56%	0.95%
Return on equity	3.33%	4.59%
Net profit margin	3.70%	4.94%
Solvency and liquidity ratios:		
Current ratio	67.00%	61.76%
Debt to equity ratio	493.06%	382.81%
Quick Ratio	10.16%	5.74%
Financial leverage ratio:		
Asset to equity ratio	593.06%	482.81%
Debt to asset ratio	83.14%	79.29%
Interest rate coverage ratio	NIL	NIL

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**RECEIVABLES AGING SUMMARY**

As of June 30, 2021

	Current	0 - 30	31 - 60	61 - 90	91 - 120	121+	Total
Notes receivable	₱-	₱-	₱-	₱-	₱-	₱143,865,021	₱143,865,021
Trade receivable	30,890,628	26,341,292	12,325,265	11,347,858	4,207,907	31,503,907	116,616,857
Due from affiliates						5,308,706	5,308,706
Others						40,586,523	40,586,523
Subtotal	30,890,628	26,341,292	12,325,265	11,347,858	4,207,907	221,264,157	306,377,107
Allowance for doubtful accounts							(150,522,844)
	₱30,890,628	₱26,341,292	₱12,325,265	₱11,347,858	₱4,207,907	₱221,264,157	₱155,854,263