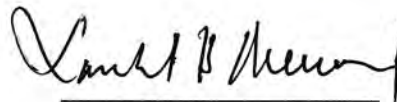


## Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35<sup>th</sup> 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. CCCLII  
Series of 2021

NOTARY PUBLIC  
EDWIN G. VANDAYA  
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  
2<sup>ND</sup> FLOOR, ARMAL BLDG., URBANO  
VELASCO AVE., MALINAO, PASIG CITY

## COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

Atty. Nestor S. Romulo

Contact Person

(632) 8706-7888

Contact Telephone No.

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Fiscal Year

FORM TYPE

 Month      Day  
 Annual Meeting

 Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

794

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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Annual Report: MAH

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **DECEMBER 31, 2020**
2. SEC Identification Number **296**
3. BIR Tax Identification No. **000-130-411**
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<sup>th</sup> Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig**  
Address of principal office
8. **Telephone No. (02) 8706-7888**  
Registrant'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 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class     | Number of Shares of Common Stock Outstanding<br>and Amount of Debt Outstanding |
|-------------------------|--------------------------------------------------------------------------------|
| <b>Common – Class A</b> | <b>183,673,470</b>                                                             |
| <b>Common – Class B</b> | <b>122,448,979</b>                                                             |
| <b>Debt outstanding</b> | <b>767,152,079</b>                                                             |

11. Are any or all of these securities listed on a Stock Exchange.  
Yes [ x ]      No [   ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

|                                  |                         |
|----------------------------------|-------------------------|
| <b>Philippine Stock Exchange</b> | <b>Common – Class A</b> |
|                                  | <b>Common – Class B</b> |

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that the registrant was required to file such reports);

Yes ☒ [ x ]

No ☐ [ ]

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ [ x ]

No ☐ [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **Php141,755,236**

14. Not Applicable

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **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 ceased 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.

#### **Status of Operation**

The Parent Company and Polymax Worldwide Limited (Polymax), an 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 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 Parent 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 Parent 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 is valued at ₱577.1million, which is the estimated recoverable amount from the sale of investment. The realization of the Parent Company’s advances to Polymax and the settlement Polymax’s past due liabilities for which the Parent 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 Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

#### **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 13.

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 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.

### **Business Development of the Subsidiaries**

Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc. (GACL)) 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. Currently, CPDSI has no business operations.

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.

#### **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:

| <b>Principal</b>                    | <b>Service Income</b> | <b>% to Total</b> |
|-------------------------------------|-----------------------|-------------------|
| Zuellig Pharma Corp.                | 77,903,736.88         | 28.5%             |
| Mitsubishi Motors Philippines Corp. | 22,385,644.18         | 8.2%              |
| Johnson & Johnson (Phils.), Inc.    | 26,180,176.67         | 9.6%              |
| Nutri Asia Inc                      | 59,828,154.97         | 21.9%             |
| SC Johnson and Son Inc              | 8,437,095.23          | 3.1%              |
| Sysu International Inc              | 7,553,131.99          | 2.8%              |
| EL Laboratories Inc.                | 8,258,663.58          | 3.0%              |
| Philippine Gadgets and Accessories  | 5,420,400.12          | 2.0%              |
| Interphil Laboratories              | 17,071,467.35         | 6.2%              |
| Alaska Milk Corporation             | 3,835,711.27          | 1.4%              |
| Brenntag Ingredients, Inc           | 4,465,982.22          | 1.6%              |
| Bonflex Packaging Corp              | 2,894,179.30          | 1.1%              |
| 3M Philippines Inc.                 | 7,177,492.12          | 2.6%              |
| Miles and Levels Philippines        | 2,620,442.21          | 1.0%              |
| Others                              | 19,637,827.69         | 7.2%              |
| <b>Total</b>                        | <b>273,670,105.78</b> | <b>100%</b>       |

#### **Export sales**

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

#### **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.



**Publicly-announced new product or service**

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

**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.

**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.

**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 accounts for 20% or more of the total sales of MCLSI.

**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.

**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.

**Government approval of principal products or services**

There is no need for any further government approval on principal products of Metro Alliance and its subsidiaries. All existing permits and licenses are valid and are renewed upon expiration thereof.

**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.

**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.

**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.

**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 Collective Bargaining Agreement (CBA). There has been no strike or any similar threat for the last 3 years. Except for 14<sup>th</sup> month and 15<sup>th</sup> month bonuses and conversion of unused sick leaves, there are no other supplemental and incentive arrangements with its employees.

In June 2020, two (2) regular employees, one (1) administrative managerial employee and one (1) administrative executive employee received their final paychecks, and as at December 31, 2020, there were no full-time regular employees in the Company.

**MCLSI**

|                | <i>Rank and File</i> | <i>Supervisors</i> | <i>Managers and up</i> | <i>Total</i> |
|----------------|----------------------|--------------------|------------------------|--------------|
| Operations     | 438                  | 24                 | 4                      | 506          |
| Administrative | 18                   | 5                  | 6                      | 22           |
| Total          | 456                  | 29                 | 10                     | 528          |

There is 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.

## **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' does not trade in financial instruments. 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.

## **Additional Requirements as to Certain Issues or Issuers**

Not Applicable

## **Item 2. Properties**

### **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 35<sup>th</sup> 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.

### **Item 3. Legal Proceedings**

#### **(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 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 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 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 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 the Parent Company, 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 company with the same RTC. In 2013, 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, 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 Company's legal counsel questioned as defective, but the RTC ruled against the 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 Company'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. 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 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.

In 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 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.

**Item 4. Submission of Matters to a Vote of Security Holders**

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

#### **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:

|      |                | <b>Class A</b> |            | <b>Class B</b> |            |
|------|----------------|----------------|------------|----------------|------------|
|      |                | <b>High</b>    | <b>Low</b> | <b>High</b>    | <b>Low</b> |
| 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 | First Quarter  | -              | -          | -              | -          |
|      | Second Quarter | 5.50           | 1.51       | 5.50           | 1.51       |
|      | 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 ₱2.24, ₱2.04 and ₱2.12 per share as of May 14, 2021 (latest practicable trading date).

#### **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 December 31, 2020, there are 611 holders of Class "A" shares and 390 holders of Class "B" shares.

#### **Top 20 Stockholders As of December 31, 2020**

|    | <b>Stockholder's Name</b>               | <b>Number of Shares</b> |                | <b>% to</b>  |
|----|-----------------------------------------|-------------------------|----------------|--------------|
|    |                                         | <b>Class A</b>          | <b>Class B</b> | <b>Total</b> |
| 1  | PCD NOMINEE CORPORATION (FILIPINO)      | 43,067,501              | 30,610,833     | 24.068       |
| 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)  |                         | 1,582,911      | 0.517        |
| 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 by Metro Alliance in the last two fiscal years and in the interim period. There are no restrictions that limit the ability to pay dividends.

## **Recent sales of unregistered or exempt securities**

There are no recent sales of unregistered or exempt securities.

## **Item 6. Management's Discussion and Analysis or Plan of Operation**

### **Plan of Operation**

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

### **Projected Plan for 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 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.

#### 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) | <b>(0.02)</b> | (0.01) | (0.01) |
| Return (loss) on average equity    | <b>(0.02)</b> | (0.01) | (0.01) |
| Debt to total assets ratio         | <b>0.65</b>   | 0.45   | 0.45   |
| Debt to equity ratio               | <b>1.83</b>   | 0.83   | 0.81   |

##### 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

- 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  |
| <b>Profitability</b>          |              |       |       |
| a. Gross profit margin        | <b>0.153</b> | 0.183 | 0.144 |
| b. Net profit margin          | <b>0.03</b>  | 0.056 | 0.035 |
| c. Return on assets           | <b>0.59</b>  | 0.069 | 0.059 |
| d. Return in equity           | <b>0.187</b> | 0.200 | 0.145 |
| <b>Liquidity</b>              |              |       |       |
| a. Current ratio              | <b>1.691</b> | 1.861 | 1.583 |
| b. Receivables turnover       | <b>2.27</b>  | 3.114 | 3.336 |
| c. Days' sales in receivables | <b>161</b>   | 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. Management is considering a rationalization plan to address the future of these non-operating companies.

### **Financial Highlights**

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI.

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

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

| <b>Income Statement</b>             | As of December 31 (In Php'000) |           |           |
|-------------------------------------|--------------------------------|-----------|-----------|
|                                     | 2020                           | 2019      | 2018      |
| Sales and services                  | <b>₱273,670</b>                | ₱318,405  | ₱286,713  |
| Cost of sales and services          | <b>(228,228)</b>               | (260,127) | (245,352) |
| Gross profit                        | <b>45,442</b>                  | 58,278    | 41,361    |
| Finance income                      | <b>164</b>                     | 229       | 131       |
| Finance costs                       | <b>(3,505)</b>                 | (2,727)   | -         |
| Other income                        | <b>1,655</b>                   | 362       | 431       |
| General and administrative expenses | <b>(34,500)</b>                | (33,908)  | (29,688)  |
| Net income before tax               | <b>9,256</b>                   | 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 is exploring 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.

## 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.

#### **(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, 2019 and 2018, 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, 2020 and 2019, 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.

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 the 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 CPDSI has ceased operations and MVC ceased to be a subsidiary of MAHEC, the Group has no commitment for capital expenditures.

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

Since CPDSI, AHL, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only

operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

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.

**Item 7. Financial Statements**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

**Other Relevant Information**

PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' consolidated statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Group has initially adopted all the requirements of PFRS 16 Leases from January 1, 2019 (Note 3).

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**  
**External Audit Fees and Services**

Audit and related fees including VAT for Metro Alliance are ₱406,560 for the year 2020 and ₱406,560 for the year 2019 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.

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 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.



## **PART III– CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Issuer**

#### **Directors, including Independent Directors, and Executive Officers**

There are seven (7) members of the Board, two (2) of whom are independent directors. The term of office of each director is one (1) year.

The current Directors and Executive Officers are as follows:

| <b>Name</b>              | <b>Age</b> | <b>Citizenship</b> | <b>Position and Office</b>                        |
|--------------------------|------------|--------------------|---------------------------------------------------|
| Elvira A. Ting           | 60         | Filipino           | Chairman of the Board                             |
| Kenneth T. Gatchalian    | 45         | Filipino           | President                                         |
| Lamberto B. Mercado, Jr. | 56         | Filipino           | Director/Compliance Officer                       |
| Aristeo R. Cruz          | 54         | Filipino           | Independent Director                              |
| Reno I. Magadia          | 51         | Filipino           | Director                                          |
| Nestor S. Romulo         | 76         | Filipino           | Corporate Secretary                               |
| Byoung Hyun Suh          | 64         | Korean             | Independent Director                              |
| James B. Palit-Ang       | 56         | Filipino           | Corporate Treasurer                               |
| Richard L. Ricardo       | 57         | Filipino           | New Elected Corp Treasurer/VP for External Affair |
| Annabelle T. Abunda      | 44         | 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 newly elected Treasurer of the company.

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

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

|                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>University of Texas, USA</i></p>                                                                                                                                                                                                              | <p>Acesite (Hotels) Phils., Inc.<br/> Philippine Estates Corporation<br/> Bulacan Country Garden Devt. Corp.<br/> Bulacan Harbour Development Corp.<br/> Waterfront Manila Premier Devt., Inc.<br/> North Luzon Premier Development Corp.<br/> Wanda Prime Property Dev't Inc.<br/> Poly Premier Property Devt. Corp.<br/> Manila Bay Front Hotels, Inc.<br/> Seabrook Resources and Dev't Corp<br/> Southernpec Philippines Inc.<br/> Wellex Mining Corporation<br/> Philfoods Asia, Inc.<br/> Philippine International Airways<br/> Wellex Petroleum, Inc.<br/> Crisanta Realty Development Corp.<br/> Westland Pacific Properties Corporation<br/> Pacific Rehouse Corporation<br/> Orient Pacific Corporation<br/> Novateknika Land Corp.<br/> Westland Pacific Properties Corporation<br/> Recovery Development Corp.<br/> Palawan Estate Corp.</p> | <p>President/Director<br/> Vice Chairman/Director<br/> Chairman/President/Director<br/> Asst. Corp. Sec./Director<br/> President/Director<br/> Chairman/Director<br/> Chairman/Director<br/> President/Director<br/> Chairman/Director<br/> Chairman/President/Director<br/> Corp. Treasurer/Director<br/> Chairman/President/Director<br/> Chairman/President/Director<br/> Corp. Secretary/Director<br/> Corp. Secretary/Director<br/> Corp. Secretary/Director<br/> Corp. Treasurer/Director<br/> Chairman/President/Director<br/> President/Director<br/> Corp. Secretary/Director<br/> Corp. Treasurer/Director<br/> Chairman/President/Director<br/> Corp. Secretary/Director</p> |
| <p><b>Atty. Lamberto B. Mercado, Jr.</b><br/> Director<br/> Filipino<br/> 56 years old<br/> Bachelor of Laws (L.L.B.)<br/> <i>Ateneo de Manila University</i><br/> <i>School of Law</i></p>                                                         | <p>Forum Pacific, Inc.<br/> CPDSI, AHI and FEZ<br/> Wanda Prime Property Dev't, Inc.<br/> Waterfront Philippines, Inc.<br/> Philippine National Construction Corp<br/> Rexlon Realty Group, Inc.<br/> Wellex Mining Corporation<br/> Acesite (Hotels) Phils., Inc.<br/> Southernpec Philippines Inc.<br/> Dubai Gold Mining Corporation<br/> Seabrook Resources &amp; Dev't Corp<br/> Sands Mining &amp; Development Corp.<br/> Bulacan Harbour Development Corp.<br/> Wellex Industries, Inc.<br/> Bulacan Country Garden Devt. Corp.</p>                                                                                                                                                                                                                                                                                                               | <p>Director<br/> Director<br/> Director<br/> Director<br/> Director<br/> Asst. Cop. Sec./Director<br/> Corp. Secretary/Director<br/> Chief Risk Officer/Director<br/> Corp. Secretary/Director<br/> Corp. Secretary/Director<br/> Corp. Secretary/Director<br/> Director<br/> Corp. Secretary/Director<br/> Director<br/> Director</p>                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Aristeo R. Cruz</b><br/> Independent Director<br/> Filipino<br/> 54 years old<br/> CPA Lawyer<br/> BS in Commerce Major in<br/> Accountancy<br/> <i>De La Salle University</i><br/> Bachelor of Laws (LLB)<br/> <i>New Era University</i></p> | <p>Meycauayan College, Inc.<br/> Cruz Altares &amp; Associates Law Office<br/> Liberty Bank (A Rural Bank), Inc.<br/> Idealand Realty &amp; Devt Corp<br/> Philstar Innovation Realty Corp<br/> Statosphere Realty &amp; Dev't Corp<br/> Jose &amp; Luz Locsin Foundation<br/> Justino Emilia Realty &amp; Mgt &amp; Dev't Corp<br/> Waterstreet Realty Corp</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Vice-Chairman/Director,<br/> Dean, College Department<br/> Founding and Managing<br/> Partner<br/> Vice President/Compiler<br/> President and Chief Operating<br/> Officer<br/> Corp. Secretary/Director<br/> President and Chief Operating<br/> Officer<br/> President<br/> Corp. Secretary<br/> President</p>                                                                                                                                                                                                                                                                                                                                                                      |
| <p><b>Reno I. Magadia</b><br/> Director<br/> Filipino<br/> 51 years old<br/> BA in TV and Radio<br/> Broadcasting<br/> <i>California State University</i><br/> Master's Degree – Business</p>                                                       | <p>Metro Combined Logistics Solution, Inc.<br/> Misons Industrial &amp; Development Corp.<br/> Waterfront Philippines, Inc.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>President/Managing Director<br/> Director<br/> Director</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Administration<br><i>Pepperdine University</i><br>Los Angeles, California                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Nestor S. Romulo</b><br>Corp. Secretary/Director<br>Filipino<br>76 years old<br>Lawyer<br>Bachelor of Laws (LLB)<br><i>University of the Philippines</i>                                       | Winbank (Savings Bank)<br>Westmont Investment Corp.<br>Wincorp Securities<br>Romulo, Serrano & Camello Law Offices<br>Reyno, Tiu, Domingo & Santos Law Offices<br>JP Consultancy Resources & Management, Inc.<br>JMP Development, Inc.<br>Margarita Properties, Inc.<br>Zuellig Distributors, Inc.<br>Asia Healthcare, Inc.<br>FEZ-EAC Holdings, Inc.                                                                                                                                                                                                                                                                                                                       | Chairman of the Board<br>Chairman of the Board<br>Director<br>Partner<br>Consultant<br><br>Corporate Secretary<br><br>Corporate Secretary<br>Corporate Secretary<br>Corporate Secretary<br>Corporate Secretary<br>Corporate Secretary                                                                                                                                                                                                                                                                                |
| <b>Byoung Hyun Suh</b><br>Independent Director<br>Korean<br>64 years old<br>BS in Business Administration<br><i>Korea University, Seoul Korea</i>                                                 | Wellex Industries Inc.<br>Philippines Estates Corporation<br>Forum Pacific, Inc.<br>Pan Islands, Inc.<br>Overseas Korean Traders Associations<br>Bonamis Pharmacy Phil's. Corp.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Independent Director<br>Independent Director<br>Independent Director<br>President<br>President<br>President                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>James B. Palit-Ang*</b><br>Treasurer<br>Filipino<br>56 years old<br>BS in Business Administration<br>Major in Accounting<br><i>Philippine School of Business Administration</i>                | Noble Arch Realty & Construction Corp.<br>Philippine Estates Corp.<br>Pacific Concorde Corporation<br>Crisanta Realty Development Corp.<br>Pacific Rehouse Corporation<br>Recovery Real Estate Corporation<br>Rexlon Realty Group, Inc.<br>Orient Pacific Corporation<br>Bulacan Fortune Land Dev't Corp.<br>Aristocrat Manila City Holdings, Inc.<br>North Luzon Premier Development Corp.<br>Manila Bay Front Hotels, Inc.<br>Vista Buena Mining Corp.<br>Dubai Gold Mining Corp.<br>Bird's Nest Resources Corp.<br>Philfoods Asia, Inc.<br>East Asia Oil & Mining Company, Inc.<br>Wellex Industries, Inc.<br>Heritage Pacific Corporation<br>Forum Holdings Corporation | Chairman/President/Director<br>Director<br>Chairman/Director<br>Vice-President/Director<br>Asst. Corp Sec./Director<br>Chairman/President/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Director<br>Chairman/President/Director<br>President/Director<br>President/Director<br>President/Director<br>Corp. Treasurer/Director<br>Chairman/President/Director<br>Corp. Treasurer/Director<br>Chairman/President/Director<br>Director<br>Asst. Corp Sec./Director<br>Chairman/President/Director |
| <b>Richard L. Ricardo*</b><br>Corporate Treasurer/Investor<br>Relations Officer<br>Filipino<br>57 years old<br>BS in Business Management<br>AB in Economics<br><i>Ateneo de Manila University</i> | Wellex Industries, Inc.<br><br>Waterfront Philippines, Inc.<br><br>Acesite (Phils.) Hotel Corporation<br><br>Philippine Estates Corporation<br>Forum Pacific, Inc.<br>The Wellex Group, Inc.<br>Rexlon Realty Group, Inc.<br>Westland Pacific Properties Corp.<br>Wellex Petroleum, Inc.<br>Wellex Mining Corporation<br>Bocau Prime Estate Corporation<br>Taguig Lake City Development Corp                                                                                                                                                                                                                                                                                | Corp. Treasurer/Investor<br>Relations Officer/Director<br>Corporate Affairs Officer/<br>Compliance Officer<br>Vice President for Corporate<br>Affairs/Compliance Officer<br>Corp. Treasurer/Director<br>Investor Relations Officer<br>Corporate Secretary/Director<br>Vice President/Director<br>Corporate Secretary/Director<br>Corp. Treasurer/Director<br>Assist. Corp. Sec./Director<br>Corporate Secretary/Director<br>Corporate Secretary/Director                                                             |

|                                                                                                                                                                                                  |                                                                                                                                                                    |                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                  | Dubai Gold Mining Corp<br>Sands Mining Corp<br>Shangrila Global Estate Ventures Corp<br>Bulacan Country Garden Dev't. Corp.<br>Alliance Energy Power & Dev't. Inc. | Chairman/President<br>Corp. Treasurer/Director<br>Corp. Secretary/Director<br>Corporate Secretary/Director<br>President/Director |
| <b>Annabelle T. Abunda</b><br>Finance Head<br>Filipino<br>44 years old<br>CPA and Licensed Real Estate<br>Broker<br>BS in Accountancy<br><i>University of the Philippines in<br/>the Visayas</i> | Forum Pacific, Inc.<br>Wellex Industries, Inc.<br>Pacific Wide Holdings, Inc.<br>Pacific Rehouse Corporation                                                       | Compliance Officer<br>Compliance Officer<br>Accounting Manager<br>Finance and Administration<br>Manager                          |

\* 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 newly elected Treasurer of the company.

### Significant Employees

There are no other employees other than the officers mentioned in the preceding subsection who are expected to make significant contribution to the business.

### Family Relationships

Ms. Elvira A. Ting, the Chairman, is the aunt of Mr. Kenneth T. Gatchalian, the President. 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.

### Involvement in Certain Legal Proceedings

To the knowledge and/or information of Metro Alliance, none of the directors/nominees and officers were involved during the past five (5) years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

### Item 10. Executive Compensation

#### Summary Compensation Table – Annual Compensation

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the three most recent years.

Summary Compensation Table – Annual Compensation

| Name and Principal Position |                                                              | Year | Salary | Bonus | Other compensation |
|-----------------------------|--------------------------------------------------------------|------|--------|-------|--------------------|
| 1                           | Elvira A. Ting<br>Chairman of the Board                      | 2020 | -      | -     | -                  |
|                             |                                                              | 2019 | -      | -     | -                  |
|                             |                                                              | 2018 | -      | -     | -                  |
| 2                           | Kenneth T. Gatchalian<br>President                           | 2020 | -      | -     | -                  |
|                             |                                                              | 2019 | -      | -     | -                  |
|                             |                                                              | 2018 | -      | -     | -                  |
| 3                           | James B. Palit-Ang<br>Treasurer                              | 2020 | -      | -     | -                  |
|                             |                                                              | 2019 | -      | -     | -                  |
|                             |                                                              | 2018 | -      | -     | 20,000             |
| 4                           | Nestor S. Romulo<br>Corporate Secretary and Legal Counsel    | 2020 | -      | -     | 300,000            |
|                             |                                                              | 2019 | -      | -     | 300,000            |
|                             |                                                              | 2018 | -      | -     | 300,000            |
| 5                           | Aristeo R. Cruz and Byoung Hyun Suh<br>Independent Directors | 2020 | -      | -     | 20,000             |
|                             |                                                              | 2019 | -      | -     | 20,000             |
|                             |                                                              | 2018 | -      | -     | 20,000             |

|   |                                               |      |   |   |         |
|---|-----------------------------------------------|------|---|---|---------|
| 6 | All directors and Officers as a Group unnamed | 2020 | - | - | -       |
|   |                                               | 2019 | - | - | -       |
|   |                                               | 2018 | - | - | 340,000 |

### Compensation of Directors

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.

### Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

### Warrants and Options Outstanding: Repricing

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

### Item 11. Security Ownership of Certain Beneficial Owners and Management

#### Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2020, Metro Alliance knows of no one who beneficially owns in excess of 5% of the its 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<br>40,067,501<br>Class B<br>30,610,501 | PCD Nominee Corp.<br>37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City  | PCD Participants and their clients**                                  | Filipino    | 73,678,334         | 24.068% |
| Common Shares Class B                                        | Creston Global Limited<br>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.<br>Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City                                     | Yolly C. Fernandez - Corporate Treasurer (Designated representative)  | Filipino    | 40,500,000         | 13.230% |
| Common Shares Class A                                        | Pacific Wide Realty & Development Corp.<br>Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City                  | Babelyn Mantos - Corporate Treasurer (Designated representative)      | Filipino    | 31,498,000         | 10.289% |
| Common Shares Class A<br>14,442,356<br>Class B<br>13,432,644 | Forum Holdings Corporation<br>Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City                               | Ellen Balunsat - Corporate Treasurer (Designated representative)      | Filipino    | 27,875,000         | 9.106%  |
| Common Shares Class A<br>6,329,500<br>Class B<br>9,503,908   | Pacific Concorde Corporation<br>Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City                             | Lauraine F. 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.

#### Security Ownership of Management

As of December 31, 2020, the security ownership of individual directors, executive officers and nominees of Metro Alliance 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 | Lamberto B. Mercado, Jr. | 1 / Direct                                | Filipino    | 0.000        |
| Common-Class A | Aristeo R. Cruz          | 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 | Byoung Hyun Suh          | 1 / Direct                                | Korean      | 0.000        |
| Common-Class A | James B. Palit-Ang       | 1 / Direct                                | Filipino    | 0.000        |
| Common-Class A | Richard L. Ricardo       | –                                         | Filipino    | 0.000        |
| Common-Class A | Annabelle T. Abunda      | –                                         | Filipino    | 0.000        |
| <b>Total</b>   |                          | <b>402</b>                                |             | <b>0.000</b> |

#### **Voting Trust Holders of 5% Or More**

There are no voting trust holders of 5% or more.

#### **Changes in Control**

There is no change in control of Metro Alliance and there is no arrangement which may result in change in control.

#### **Item 12. 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 29 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

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.

The amounts due to related parties pertain to advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms. These are unsecured and noninterest bearing, except the liability to WPI, which is interest bearing but the related finance charges are being charged to Polymax, since the corresponding liability were obtained in relation to the Petrochemical Project.

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, 2013.

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, 2012 will be honored and paid, should the latter's shares be sold to other persons.

c. Compensation of key management personnel follows:

| Particulars                  | 2019               | 2018        |
|------------------------------|--------------------|-------------|
| Short-term employee benefits | <b>₱10,691,978</b> | ₱18,191,466 |
| <b>Total</b>                 | <b>₱10,691,978</b> | ₱18,191,466 |

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 amounts applicable to the Group's outstanding balances with related parties are as follows:

| Particulars                            | Terms and Conditions                                                         | Transactions  |               | Outstanding Balance |               |
|----------------------------------------|------------------------------------------------------------------------------|---------------|---------------|---------------------|---------------|
|                                        |                                                                              | 2020          | 2019          | 2020                | 2019          |
| <b>Due from related parties:</b>       |                                                                              |               |               |                     |               |
| 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 11)                        |                                                                              | ₱ (201)       | ₱ 10          | ₱ 5,308,716         | ₱ 5,308,917   |
| <b>Advances (Asset held for Sale):</b> |                                                                              |               |               |                     |               |
| Polymax (Note 13)                      | Represents 20% share investment in NPCA                                      | ₱ 210,889,007 | ₱ (2,634,110) | ₱ 577,074,835       | ₱ 366,185,828 |
| <b>Due to related parties:</b>         |                                                                              |               |               |                     |               |
| Acesite (Phils.) Hotel Corporation     | Non-interest bearing and unsecured borrowing; Expected to be settled in cash | ₱ -           | ₱ -           | ₱ 5,627,202         | ₱ 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 20)                        |                                                                              | ₱ 215,410,220 | ₱ 206,979     | ₱ 274,568,767       | ₱ 59,158,547  |

### Transactions with promoters

Metro Alliance and its subsidiaries have no transaction with promoters.

## **Part IV – CORPORATE GOVERNANCE**

Pease refer to separate “Annual Corporate Governance Report (ACGR)” to be submitted to Securities and Exchange Commission.

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 13. Exhibits and Reports on SEC Form 17-C**

#### **Exhibits**

##### **Financial Statements**

- Statement of Management's Responsibility for Financial Statements
- Report of Independent Auditor
- Statements of Financial Position as of December 31, 2020 and 2019
- Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018
- Statements of Changes in Equity for each of the three years ended December 31, 2020, 2019 and 2018
- Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018
- Notes to Financial Statements

##### **Supplementary Schedules**

Report of Independent Public Accountants on Supplementary Schedules:

- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Amounts Receivables and Payable from/to Related Parties which are Eliminated during Consolidation Process of Financial Statements
- Intangible Assets - Other Assets
- Long-term Debt (Not Applicable)
- Indebtedness to Related Parties (Long-Term Loans from Related Parties)
- Guarantees of Securities of Other Issuers (Not Applicable)
- Capital Stock
- Schedule of all the Effective Standards and Interpretations
- Reconciliation of Retained Earnings Available for Dividend Declaration (Not Applicable)
- Map of the relationship of the parent company within the parent company for the year ended December 31, 2020
- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Financial Soundness Indicators as required by Revised SRC Rule Annex 68-E

#### **Reports on SEC Form 17- C filed during the year**

##### **January 14, 2020**

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2019.

##### **January 15, 2020**

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 30, 2019.

##### **April 15, 2020**

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended March 31, 2020.

##### **May 8, 2020**

The Corporation postponed the Annual Stockholders Meeting that scheduled on any day not a Sunday or legal holiday in the Month of May as provided by By-Laws. This is due to lack of material time to prepare the documents and have them printed which are required to be filed with the regulatory agencies for the holding of stockholders' meeting.



**July 15, 2020**

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2020.

**July 17, 2020**

The Corporation submitted SEC Form 23-B Statement of Changes in Beneficial Ownership of Securities of Reno I. Magadia. Also submitted amended Public Ownership Reports as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2020.

**August 12, 2020**

The Corporation submitted the Integrated Annual Corporate Governance Report for the year 2019 in compliance with the SEC Memorandum Circular No. 15, series of 2017.

**September 16, 2020**

The Corporation submitted its Notice of Annual Stockholder's Meeting on October 29, 2020 to stockholders of record as of September 30, 2020 as approved by the Board of Directors on its meeting with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on November 7, 2019
4. Report of the President
5. Presentation and approval of the Annual Financial Statements
6. Ratifications of the actions and proceedings taken by the Board of Directors and Corporate Officers since November 7, 2019
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other business/matters
10. Adjournment

The Corporation also submitted a disclosure on the update on legal proceedings regarding the civil case filed by the Corporation, Polymax Worldwide Limited, and Renato B. Magadia against the Defendants for Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

**September 21, 2020**

The Corporation submitted an amended Notice of Annual Stockholder's meeting stating other relevant information in the disclosure.

**October 8, 2020**

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended September 30, 2020.

**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 via remote communication.

**November 24, 2020**

The Corporation submitted SEC Form 23-B Statement of Changes in Beneficial Ownership of Securities of Reno I. Magadia.

**November 26, 2020**

The Corporation submitted GIS 2020 as disclosed also in the Philippine Stock Exchanges for the year 2020. Also submitted copies of certificates of directors and key officers on the attended Good Corporate Governance Seminar held last November 18, 2020 via webinar conducted by the Risks, Opportunities, Assessment and Management (ROAM), Inc. a Corporate Governance training provider accredited by the SEC.

**January 11, 2021**

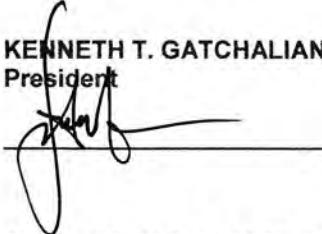
The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2020.

**SIGNATURE**

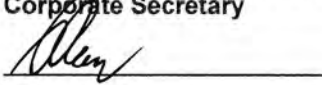
After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on MAY 17 2021

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: **ATTY. NESTOR S. ROMULO**  
Title: Corporate Secretary

Signature: 

Registrant: **RICHARD L. RICARDO**  
Title: Treasurer

Signature: 

Dated \_\_\_\_\_

**PASIG CITY** **SUBSCRIBED AND SWORN** to before me this MAY 17 2021 day of \_\_\_\_\_, in  
affiant (s) exhibiting to me his/their Tax Identification No. as follows:

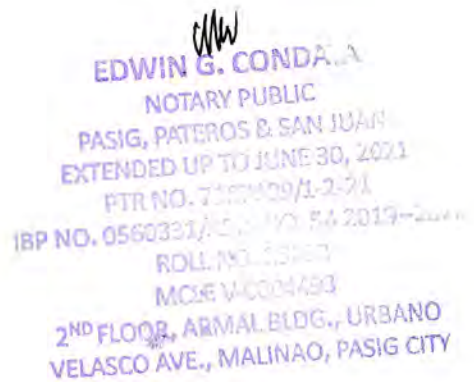
**AFFIANTS**

1. Kenneth T. Gatchalian
2. Atty. Nestor S. Romulo
3. Richard L. Ricardo

**Tax Identification No.**

167-406-526-000  
107-200-723-000  
140-853-860-000

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Page No.: 63  
Book No.: 66111  
Series of: 21

  
**EDWIN G. CONDA**  
NOTARY PUBLIC  
PASIG, PATEROS & SAN JUAN  
EXTENDED UP TO JUNE 30, 2021  
PTR NO. 7357439/1-2-71  
IBP NO. 0560331/1-2-71  
ROLL NO. 23567  
MOE V-0004493  
2<sup>ND</sup> FLOOR, ARMAL BLDG., URBANO  
VELASCO AVE., MALINAO, PASIG CITY

**AUDITED FINANCIAL STATEMENTS**[illegible][illegible][illegible]

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metro.alliance@yahoo.com

8706 -7888

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794

Any day in May

December 31

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  
2<sup>ND</sup> 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**

35<sup>th</sup> 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**

35<sup>th</sup> 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**

35<sup>th</sup> 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

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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**

35<sup>th</sup> 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

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For the firm:



**ALFONSO L. CAY-AN**

**Partner**

CPA Registration No. 99805

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TIN No. 213-410-741-000

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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)*

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

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

| <b>For the Years Ended December 31,</b>                      | <b>Notes</b> | <b>2020</b>          | <b>2019</b>   | <b>2018</b>  |
|--------------------------------------------------------------|--------------|----------------------|---------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |              |                      |               |              |
| Income before tax                                            |              | <b>9,256,558</b>     | 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           | <b>1,518,129</b>     | 874,729       | 1,570,666    |
| Provision for impairment on other current assets             | 14           | <b>1,450,756</b>     | -             | -            |
| Amortization of intangible assets                            | 19           | <b>429,753</b>       | 496,225       | 412,540      |
| Depreciation                                                 | 18           | <b>34,063,694</b>    | 35,843,499    | 2,225,832    |
| Gain on disposal of equipment                                | 18           | -                    | (297,302)     | -            |
| Written-off accrued retirement benefit                       | 30           | <b>(672,444)</b>     | -             | -            |
| Provision for retirement benefit costs                       | 30           | <b>1,549,600</b>     | 1,682,621     | 1,525,367    |
| Interest expense on lease liability                          | 28           | <b>3,504,759</b>     | 2,726,765     | -            |
| Interest income                                              | 28           | <b>(164,137)</b>     | (229,016)     | (131,349)    |
| Operating income before working capital changes              |              | <b>50,936,668</b>    | 62,253,190    | 17,780,308   |
| Changes in assets and liabilities:                           |              |                      |               |              |
| Trade and other receivables, net                             |              | <b>(22,796,575)</b>  | (17,350,262)  | (16,563,030) |
| Other current assets                                         |              | <b>(11,701,257)</b>  | (4,524,985)   | (13,103,299) |
| Other non-current assets                                     |              | <b>(4,951,304)</b>   | (2,008,780)   | (644,675)    |
| Accounts payable and accrued expenses                        |              | <b>17,026,670</b>    | (11,560,596)  | 21,289,230   |
| Net Cash Flows from Operating Activities                     |              | <b>28,514,202</b>    | 26,808,567    | 8,758,534    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |              |                      |               |              |
| Interest received from:                                      |              |                      |               |              |
| Bank deposits                                                | 28           | <b>164,137</b>       | 229,016       | 131,349      |
| Proceeds from:                                               |              |                      |               |              |
| Assets held for sale                                         | 15           | -                    | 2,634,110     | 2,551,564    |
| Disposal of financial assets at amortized cost               |              | <b>2,038,632</b>     | -             | -            |
| Disposal of property and equipment                           | 18           | -                    | 387,200       | -            |
| Acquisition of:                                              |              |                      |               |              |
| Asset held for sale                                          | 15           | <b>(210,889,007)</b> | -             | -            |
| Financial assets at FVOCI                                    | 14           | -                    | -             | -            |
| Financial assets at amortized cost                           | 17           | -                    | (2,038,632)   | -            |
| Property and equipment                                       | 18           | <b>(24,626,568)</b>  | (110,796,639) | (4,522,694)  |
| Intangible asset                                             | 19           | <b>(764,393)</b>     | -             | -            |
| Net Cash Flows from Investing Activities                     |              | <b>(234,077,199)</b> | (109,584,945) | (1,839,781)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |              |                      |               |              |
| Interest paid on lease liability                             | 28           | <b>(3,504,759)</b>   | (2,726,765)   | -            |
| Availment of (payment of) lease liability                    | 21           | <b>(6,223,515)</b>   | 75,085,611    | -            |
| Advances (repayments) of related parties                     | 31           | <b>215,410,220</b>   | 206,979       | (264,151)    |
| Net Cash Flows from Financing Activities                     |              | <b>205,681,946</b>   | 72,565,825    | (264,151)    |
| <b>NET INCREASE (DECREASE) IN CASH</b>                       |              | <b>118,949</b>       | (10,210,553)  | 6,654,602    |
| <b>CASH AT BEGINNING OF YEAR</b>                             | 12           | <b>32,982,656</b>    | 43,193,209    | 36,538,607   |
| <b>CASH AT END OF YEAR</b>                                   | 12           | <b>33,101,605</b>    | 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<br>(Note 24)                           | Additional Paid-<br>in Capital<br>(Note 24) | Deficit<br>(Note 25) | Remeasurement<br>Gain (Loss) on |                                 | Subtotal    |                    |              |
|                                                               |                                                      |                                             |                      | Retirement Plan<br>(Note 30)    | Fair Value Reserve<br>(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 35<sup>th</sup> 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 22<sup>nd</sup> Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35<sup>th</sup> 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 |             |
|---------------------------------------------------------------------------------|-------------------------|-------------|
|                                                                                 | <b>2020</b>             | <b>2019</b> |
| Operating subsidiaries:                                                         |                         |             |
| Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.) | <b>51%</b>              | 51%         |
| Non-operating subsidiaries:                                                     |                         |             |
| Consumer Products Distribution Services, Inc. (CPDSI)                           | <b>100%</b>             | 100%        |
| FEZ-EAC Holdings, Inc. (FEZ-EAC)                                                | <b>100%</b>             | 100%        |
| Zuellig Distributors, Inc. (ZDI)                                                | <b>100%</b>             | 100%        |
| Asia Healthcare, Inc. (AHI)                                                     | <b>60%</b>              | 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,<br>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.

|                                      |
|--------------------------------------|
| <b>NOTE 6 – BUSINESS COMBINATION</b> |
|--------------------------------------|

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%           |
| <b>Summarized Statements of Financial Position:</b>   |               |               |
| 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    |
| <b>Summarized Statements of Comprehensive Income:</b> |               |               |
| 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                                 | -             | -             |
| <b>Summarized Statements of Cash Flows:</b>           |               |               |
| 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<br>Contract Logistics | Other<br>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                                                | 9,316,346                              | (4,843,750)         | 4,472,596     |
| 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<br>and amortization | 2,968,885                              | -                   | 2,968,885     |
|                                                           | 2019                                   |                     |               |
|                                                           | Distribution and<br>Contract Logistics | Other<br>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                                                | 18,028,195                             | (4,101,131)         | 13,927,064    |
| 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<br>and amortization | 874,729                                | -                   | 874,729       |

|                                                           |                                        | 2018                |                  |
|-----------------------------------------------------------|----------------------------------------|---------------------|------------------|
|                                                           | Distribution and<br>Contract Logistics | Other<br>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<br>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<br>past due<br>nor impaired |                | Past due<br>but not<br>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<br>past due<br>nor impaired |                | Past due<br>but not<br>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    | ₱ | <b>767,152,079</b>        | ₱ | 540,063,427        |
| Total equity         |   | <u><b>147,632,442</b></u> |   | <u>143,162,857</u> |
| Debt-to-equity ratio |   | <u><b>5.20:1</b></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   | <b>169,590,889</b>          | <b>169,590,889</b>          | 148,312,443           | 148,312,443          |
| Financial assets at amortized cost | -                           | -                           | 2,038,632             | 2,038,632            |
| Refundable deposits                | <u><b>10,992,898</b></u>    | <u><b>10,992,898</b></u>    | <u>10,317,496</u>     | <u>10,317,496</u>    |
| Subtotal                           | <b>213,685,392</b>          | <b>213,685,392</b>          | 193,651,227           | 193,651,227          |
| Financial assets at FVOCI          | <u><b>20,921,885</b></u>    | <u><b>20,921,885</b></u>    | <u>21,209,285</u>     | <u>21,209,285</u>    |
| Total                              | ₱ <u><b>234,607,277</b></u> | ₱ <u><b>234,607,277</b></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         |
| <b>Financial assets at amortized cost:</b> |                   |         |               |               |
| 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   |
| <b>Financial assets at FVOCI</b>           | 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         |
|-------------------------------------------------|--------------|---------|---------------|---------------|
| <b>Financial assets at amortized cost:</b>      |              |         |               |               |
| 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   |
| <b>Financial assets at FVOCI</b>                | 21,209,285   | -       | -             | 21,209,285    |
| Total                                           | ₱ 56,230,573 | ₱ -     | ₱ 158,629,939 | ₱ 214,860,512 |
| <b>Financial liabilities at amortized cost:</b> |              |         |               |               |
| 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                 |
|---------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| 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>   |
| <b>Liabilities</b>                                |                      |                      |
| 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.

|                                              |
|----------------------------------------------|
| <b>NOTE 18 – PROPERTY AND EQUIPMENT, NET</b> |
|----------------------------------------------|

As of December 31, 2020, this account consists of the following:

| Particulars                                           | Beginning<br>Balances | Additions/<br>Provisions | Disposals/<br>Adjustments | Ending<br>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<br>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<br>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<br>Balances | Additions/<br>Provisions | Disposals/<br>Adjustments | Ending<br>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<br>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<br>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/<br>Amortization | Disposals/<br>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/<br>Amortization | Disposals/<br>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                 |
| <b>Due from related parties:</b>       |                                                                              |                      |                      |                      |                      |
| 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)                        |                                                                              | ₱ <u>(201)</u>       | ₱ <u>10</u>          | ₱ <u>5,308,716</u>   | ₱ <u>5,308,917</u>   |
| <b>Advances (Asset held for Sale):</b> |                                                                              |                      |                      |                      |                      |
| Polymax (Note 15)                      | Represents 20% share investment in NPCA                                      | ₱ <u>210,889,007</u> | ₱ <u>(2,634,110)</u> | ₱ <u>577,074,835</u> | ₱ <u>366,185,828</u> |

**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<br>as of January 1, 2019 | Adjustments/<br>Corrections | Adjusted<br>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                  |
|                                                       | <b>₱ 75,085,611</b> | <b>₱ 23,207,815</b> | <b>₱ 3,504,758</b> | <b>₱ 32,936,088</b>               | <b>₱ 68,862,096</b>      |

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                   |
|                                                       | <b>₱ 45,346,527</b> | <b>₱ 62,036,963</b> | <b>₱ 2,726,765</b> | <b>₱ 35,024,644</b>               | <b>₱ 75,085,611</b>      |

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.

|                                    |
|------------------------------------|
| <b>NOTE 36 – SUBSEQUENT EVENTS</b> |
|------------------------------------|

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                      | -                         | -                                    | <b>869,905</b>           |

#### 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 |
|----------------|--------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------|
|----------------|--------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------|

**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 |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------------------|---------------------|
|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------------------|---------------------|

**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        |
| <b>Total</b>     | <b>1,200,000,000</b>        | <b>306,122,449</b>                                                                | <b>-</b>                                                                     | <b>241,729,939</b>                       | <b>22,126,115</b>                  | <b>42,266,395</b> |

# 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:

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND<br/>INTERPRETATIONS</b><br>Effective as of December 31, 2020 |                                                                                                                      | <b>Adopted</b> | <b>Not<br/>Adopted</b> | <b>Not<br/>Applicable</b> |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------|------------------------|---------------------------|
| <b>Framework for the Preparation and Presentation of Financial<br/>Statements</b>                            |                                                                                                                      |                |                        |                           |
|                                                                                                              | Conceptual Framework Phase A: Objectives and qualitative<br>characteristics                                          | ✓              |                        |                           |
| <b>PFRSs Practice Statement Management Commentary</b>                                                        |                                                                                                                      | ✓              |                        |                           |
| <b>Philippine Financial Reporting Standards</b>                                                              |                                                                                                                      |                |                        |                           |
| <b>PFRS 1<br/>(Revised)</b>                                                                                  | First-time Adoption of Philippine Financial Reporting<br>Standards                                                   | ✓              |                        |                           |
|                                                                                                              | Amendments to PFRS 1 and PAS 27: Cost of an<br>Investment in a Subsidiary, Jointly Controlled Entity or<br>Associate | ✓              |                        |                           |
|                                                                                                              | Amendments to PFRS 1: Additional Exemptions for<br>First-time Adopters                                               |                |                        | ✓                         |
|                                                                                                              | Amendment to PFRS 1: Limited Exemption from<br>Comparative PFRS 7 Disclosures for First-time Adopters                |                |                        | ✓                         |
|                                                                                                              | Amendments to PFRS 1: Severe Hyperinflation and<br>Removal of Fixed Date for First-time Adopters                     |                |                        | ✓                         |
|                                                                                                              | Amendments to PFRS 1: Government Loans                                                                               |                |                        | ✓                         |
|                                                                                                              | Amendments to PFRS 1: Meaning of Effective PFRSs                                                                     | ✓              |                        |                           |
|                                                                                                              | <b>PFRS 2</b> Share-based Payment                                                                                    |                |                        | ✓                         |
|                                                                                                              | Amendments to PFRS 2: Vesting Conditions and<br>Cancellations                                                        |                |                        | ✓                         |
|                                                                                                              | Amendments to PFRS 2: Parent Company Cash-settled<br>Share-based Payment Transactions                                |                |                        | ✓                         |
| <b>PFRS 3<br/>(Revised)</b>                                                                                  | Amendment to PFRS 2: Definition of Vesting Condition                                                                 |                |                        | ✓                         |
|                                                                                                              | Amendment of PFRS 2: Classification and Measurement<br>of Share- Based Payment Transactions                          |                |                        | ✓                         |
|                                                                                                              | <b>PFRS 3</b> Business Combinations                                                                                  | ✓              |                        |                           |
|                                                                                                              | Amendment to PFRS 3: Accounting to Contingent<br>Consideration in a Business Combination                             |                |                        | ✓                         |
|                                                                                                              | Amendment to PFRS 3: Scope Exceptions for Joint<br>Arrangements                                                      |                |                        | ✓                         |
| <b>PFRS 4</b>                                                                                                | Amendments of PFRS 3: Definition of Business                                                                         | ✓              |                        |                           |
|                                                                                                              | <b>Insurance Contracts</b>                                                                                           |                |                        | ✓                         |
|                                                                                                              | Amendments to PAS 39 and PFRS 4: Financial Guarantee<br>Contracts                                                    |                |                        | ✓                         |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                                                                       | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4                                                                                              |         |             | ✓              |
| <b>PFRS 5</b>                                                                                     | 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                                                                                                                   |         |             | ✓              |
| <b>PFRS 6</b>                                                                                     | Exploration for and Evaluation of Mineral Resources                                                                                                                   |         |             | ✓              |
|                                                                                                   | Amendment to PFRS 6: Transition Relief                                                                                                                                |         |             | ✓              |
| <b>PFRS 7</b>                                                                                     | 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                                                             |         |             | ✓              |
| <b>PFRS 8</b>                                                                                     | 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                     | ✓       |             |                |
| <b>PFRS 9</b>                                                                                     | 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<br>Effective as of December 31, 2020 |                                                                                                                                                                                                                                                                                                                                                                                                                              | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | <p>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</p> <p>Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition</p> |         |             | ✓              |
| <b>PFRS 10</b>                                                                                    | 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                                                                                                                                                                                                                                                                                                                 |         |             | ✓              |
| <b>PFRS 11</b>                                                                                    | Joint Arrangements                                                                                                                                                                                                                                                                                                                                                                                                           |         |             | ✓              |
|                                                                                                   | Amendments to PFRS 11: Transition Guidance                                                                                                                                                                                                                                                                                                                                                                                   |         |             | ✓              |
|                                                                                                   | Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations                                                                                                                                                                                                                                                                                                                                           |         |             | ✓              |
| <b>PFRS 12</b>                                                                                    | 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                                                                                                                                                                                                                                                                                                                                                            |         |             | ✓              |
| <b>PFRS 13</b>                                                                                    | Fair Value Measurement                                                                                                                                                                                                                                                                                                                                                                                                       | ✓       |             |                |
|                                                                                                   | Amendment to PFRS 13: Short- Term Receivables and Payables                                                                                                                                                                                                                                                                                                                                                                   | ✓       |             |                |
|                                                                                                   | Amendment to PFRS 13: Portfolio Exception                                                                                                                                                                                                                                                                                                                                                                                    | ✓       |             |                |
| <b>PFRS 14</b>                                                                                    | Regulatory Deferral Accounts                                                                                                                                                                                                                                                                                                                                                                                                 |         |             | ✓              |
| <b>PFRS 15</b>                                                                                    | Revenue from Contracts with Customers                                                                                                                                                                                                                                                                                                                                                                                        |         |             | ✓              |
| <b>PFRS 16</b>                                                                                    | Leases                                                                                                                                                                                                                                                                                                                                                                                                                       | ✓       |             |                |
|                                                                                                   | Amendments to PFRS 16: Rent Concessions                                                                                                                                                                                                                                                                                                                                                                                      |         |             | ✓              |
| <b>Philippine Accounting Standards</b>                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                              |         |             |                |
| <b>PAS 1 (Revised)</b>                                                                            | 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<br>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                                                       | ✓       |             |                |
| <b>PAS 2</b>                                                                                      | Inventories                                                                                                     |         |             | ✓              |
| <b>PAS 7</b>                                                                                      | Statement of Cash Flows                                                                                         | ✓       |             |                |
|                                                                                                   | Amendments to PAS 7: Disclosure Initiative                                                                      | ✓       |             |                |
| <b>PAS 8</b>                                                                                      | Accounting Policies, Changes in Accounting Estimates and Errors                                                 | ✓       |             |                |
|                                                                                                   | Amendments to PAS 8: Definition of Material                                                                     | ✓       |             |                |
| <b>PAS 10</b>                                                                                     | Events after the Balance Sheet Date                                                                             | ✓       |             |                |
| <b>PAS 11</b>                                                                                     | Construction Contracts                                                                                          |         |             | ✓              |
| <b>PAS 12</b>                                                                                     | Income Taxes                                                                                                    | ✓       |             |                |
|                                                                                                   | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses                                 | ✓       |             |                |
| <b>PAS 16</b>                                                                                     | 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                                                     |         |             | ✓              |
| <b>PAS 17</b>                                                                                     | Leases                                                                                                          | ✓       |             |                |
|                                                                                                   | Amendments to PAS 17: Classification of Land Leases                                                             |         |             | ✓              |
| <b>PAS 18</b>                                                                                     | 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.       |         |             | ✓              |
| <b>PAS 19</b>                                                                                     | Employee Benefits                                                                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 19: Actuarial Gains and Losses,                                                               | ✓       |             |                |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>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                                                        |         |             | ✓              |
| <b>PAS 19<br/>(Amended)</b>                                                                       | Employee Benefits                                                                                           | ✓       |             |                |
|                                                                                                   | Amendments to PAS 19R: Plan Amendment, Curtailment or Settlement                                            |         |             | ✓              |
| <b>PAS 20</b>                                                                                     | Accounting for Government Grants and Disclosure of Government Assistance                                    |         |             | ✓              |
| <b>PAS 21</b>                                                                                     | The Effects of Changes in Foreign Exchange Rates                                                            | ✓       |             |                |
|                                                                                                   | Amendment: Net Investment in a Foreign Operation                                                            |         |             | ✓              |
| <b>PAS 23<br/>(Revised)</b>                                                                       | Borrowing Costs                                                                                             |         |             | ✓              |
|                                                                                                   | Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost                                        |         |             | ✓              |
| <b>PAS 24<br/>(Revised)</b>                                                                       | Related Party Disclosures                                                                                   | ✓       |             |                |
|                                                                                                   | Amendments to PAS 24: Key Management Personnel                                                              | ✓       |             |                |
| <b>PAS 26</b>                                                                                     | Accounting and Reporting by Retirement Benefit Plans                                                        | ✓       |             |                |
| <b>PAS 27<br/>(Amended)</b>                                                                       | Separate Financial Statements                                                                               | ✓       |             |                |
|                                                                                                   | Amendments for investment entities                                                                          |         |             | ✓              |
|                                                                                                   | Amendments to PAS 27: Equity Method in Separate Financial Statements                                        |         |             | ✓              |
| <b>PAS 28</b>                                                                                     | Investments in Associates and Joint Ventures                                                                |         |             | ✓              |
| <b>PAS 28<br/>(Amended)</b>                                                                       | 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 |         |             | ✓              |
| <b>PAS 29</b>                                                                                     | Financial Reporting in Hyperinflationary Economies                                                          |         |             | ✓              |
| <b>PAS 31</b>                                                                                     | Interests in Joint Ventures                                                                                 |         |             | ✓              |
| <b>PAS 32</b>                                                                                     | 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                                                    | ✓       |             |                |
| <b>PAS 33</b>                                                                                     | Earnings per Share                                                                                          | ✓       |             |                |
| <b>PAS 34</b>                                                                                     | Interim Financial Reporting                                                                                 |         |             | ✓              |



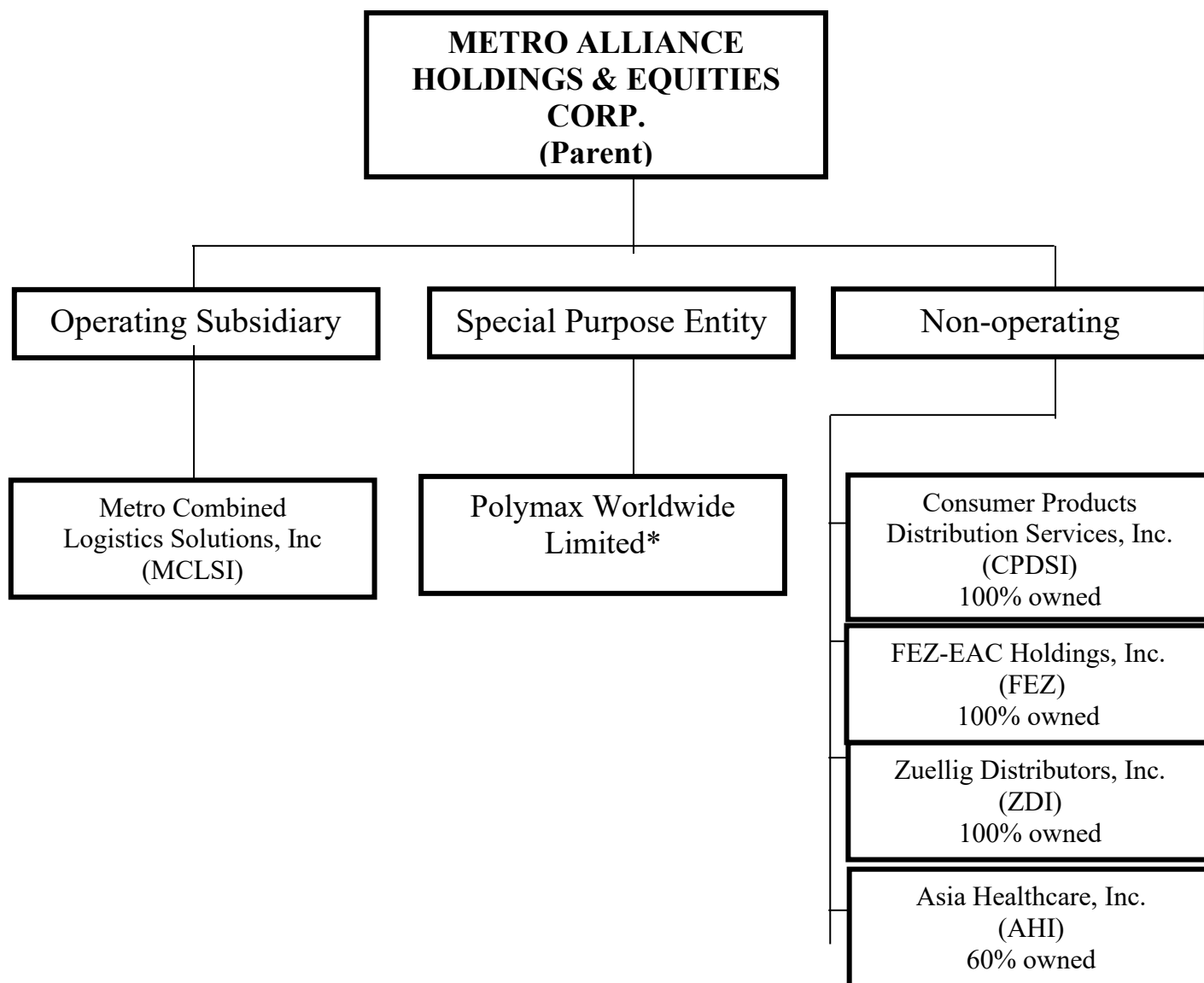
| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                          | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'                               | ✓       |             |                |
| <b>PAS 36</b>                                                                                     | 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                                           | ✓       |             |                |
| <b>PAS 37</b>                                                                                     | Provisions, Contingent Liabilities and Contingent Assets                                                                 | ✓       |             |                |
| <b>PAS 38</b>                                                                                     | 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                 |         |             | ✓              |
| <b>PAS 39</b>                                                                                     | 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                                        |         |             | ✓              |
| <b>PAS 40</b>                                                                                     | Investment Property                                                                                                      |         |             | ✓              |
|                                                                                                   | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property               |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>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                                             |         |             | ✓              |
| <b>Philippine Interpretations</b>                                                                 |                                                                                                         |         |             |                |
| 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                                               |         |             | ✓              |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as of December 31, 2020</b> |                                                                              | <b>Adopted</b> | <b>Not Adopted</b> | <b>Not Applicable</b> |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------|--------------------|-----------------------|
| <b>IFRIC 21</b>                                                                                                 | Levies                                                                       |                |                    | ✓                     |
| <b>IFRIC 22</b>                                                                                                 | Foreign Currency Transactions and Advance Consideration                      |                |                    | ✓                     |
| <b>IFRIC 23</b>                                                                                                 | Uncertainty over Income Tax Treatments                                       |                |                    | ✓                     |
| <b>SIC-7</b>                                                                                                    | Introduction of the Euro                                                     |                |                    | ✓                     |
| <b>SIC-10</b>                                                                                                   | Government Assistance - No Specific Relation to Operating Activities         |                |                    | ✓                     |
| <b>SIC-12</b>                                                                                                   | Consolidation - Special Purpose Entities                                     | ✓              |                    |                       |
|                                                                                                                 | Amendment to SIC - 12: Scope of SIC 12                                       |                |                    | ✓                     |
| <b>SIC-13</b>                                                                                                   | Jointly Controlled Entities - Non-Monetary Contributions by Venturers        |                |                    | ✓                     |
| <b>SIC-15</b>                                                                                                   | Operating Leases - Incentives                                                | ✓              |                    |                       |
| <b>SIC-21</b>                                                                                                   | Income Taxes - Recovery of Revalued Non-Depreciable Assets                   |                |                    | ✓                     |
| <b>SIC-25</b>                                                                                                   | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders    |                |                    | ✓                     |
| <b>SIC-27</b>                                                                                                   | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓              |                    |                       |
| <b>SIC-29</b>                                                                                                   | Service Concession Arrangements: Disclosures.                                |                |                    | ✓                     |
| <b>SIC-31</b>                                                                                                   | Revenue - Barter Transactions Involving Advertising Services                 |                |                    | ✓                     |
| <b>SIC-32</b>                                                                                                   | 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<br>(except those attributable to Cash and Cash Equivalents)                                    |                |                |
| Unrealized actuarial gain                                                                                                               | -              | -              |
| • Fair value adjustment (M2M gains)                                                                                                     | -              | -              |
| • Fair value adjustment of Investment Property<br>resulting to gain adjustment<br>due to deviation from PFRS/GAAP-gain                  | -              | -              |
| • Other unrealized gains or adjustments<br>to the retained earnings as a result<br>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<br>(after tax)                                                                   | -              | -              |
| FMV gain/(loss) transferred to equity as a result of disposal of<br>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

| <u>Financial Ratios</u>      | <u>Formula</u>                                                               | <u>2020</u>   | <u>2019</u> |
|------------------------------|------------------------------------------------------------------------------|---------------|-------------|
| Current / liquidity ratio    | Current assets over current liabilities                                      | <b>0.68</b>   | 0.56        |
| Acid test ratio              | Cash plus receivables plus marketable securities<br>over current liabilities | <b>0.61</b>   | 0.50        |
| Asset to equity ratio        | Total asset over total equity                                                | <b>6.20</b>   | 4.77        |
| Net debt to equity ratio     | Total liabilities less cash and cash equivalents<br>over total equity        | <b>4.97</b>   | 3.54        |
| Debt-to-equity ratio         | Total liabilities over total equity                                          | <b>5.20</b>   | 3.77        |
| Solvency ratio               | After tax net profit plus depreciation over total<br>liabilities             | <b>0.06</b>   | 0.11        |
| Interest rate coverage ratio | Earnings before interest and taxes over interest<br>expense                  | <b>1.64</b>   | 7.15        |
| Gross profit margin          | Gross profit over net revenues                                               | <b>16.60%</b> | 18.30%      |
| Net income margin            | Net income over net revenues                                                 | <b>1.74%</b>  | 4.76%       |

**AUDITED FINANCIAL STATEMENTS**[illegible][illegible][illegible]

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## December 31

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**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.**

## Fw: Your BIR AFS eSubmission uploads were received

---

From: Metro Alliance (metro.alliance@yahoo.com)

To: cherlou\_abenoja07@yahoo.com

Date: Thursday, May 13, 2021, 07:32 PM GMT+8

---

----- Forwarded Message -----

**From:** "eafs@bir.gov.ph" <eafs@bir.gov.ph>

**To:** "metro.alliance@yahoo.com" <metro.alliance@yahoo.com>

**Cc:** "metro.alliance@yahoo.com" <metro.alliance@yahoo.com>

**Sent:** Thursday, April 29, 2021, 04:51:21 PM GMT-12

**Subject:** Your BIR AFS eSubmission uploads were received

Hi METRO ALLIANCE HOLDINGS & EQUITIES CORP,

### Valid files

- EAFS000130411AFSTY122020.pdf
- EAFS000130411RPTTY122020.pdf
- EAFS000130411ITRTY122020.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-BJHFD6GG07LL99E9NWSTQWTW0CD85DGJE**

Submission Date/Time: **Apr 30, 2021 12:38 PM**

Company TIN: **000-130-411**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

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DISCLAIMER  
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# METRO ALLIANCE

HOLDINGS & EQUITIES CORP.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

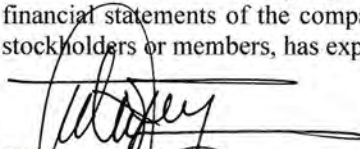
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended **December 31, 2020**, in accordance with the prescribed financial reporting framework indicated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

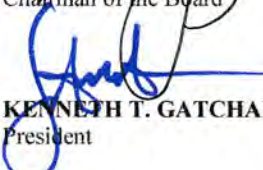
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no 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 financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**Valdes, Abad and Company, CPAs**, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, 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: 267 :  
PAGE NO: 55 :  
BOOK NO: 66611 :  
SERIES OF 2 :

  
**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  
2<sup>ND</sup> FLOOR, ARMAL BLDG., URBANO  
VELASCO AVE., MALINAO, PASIG CITY

**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**

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

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

In compliance with SRC Rule 68, we are stating that the Parent Company 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. 0361-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**  
35<sup>th</sup> Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.  
Ortigas Center, Pasig City

### Opinion

We have audited the accompanying Parent Company financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** which comprise the statements of financial position as of December 31, 2020 and 2019, 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 Parent Company financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as of December 31, 2020 and 2019, 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 Parent Company 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 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, which account for 93% and 89% of the Parent Company'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 Parent Company 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 Parent Company during the year. 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 Parent Company's request to lift the trading suspension has been granted by the Philippine Stock Exchange which resulted to significant development for the year. The Parent Company 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 Parent Company is significant to our audit as this materially affects our judgement to the ability of the Parent Company to continue its operations in foreseeable future as deemed necessary by PSA 570 (Revise) *Going Concern*.

*Audit response*

Our audit procedures included understanding of the current market conditions in which the Parent Company 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 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the 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.

**Report on Bureau of Internal Revenue Requirement**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our 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 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-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 Stockholders and the Board of Directors  
**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**  
35<sup>th</sup> Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.  
Ortigas Center, Pasig City

We have examined the Parent Company financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** 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 Parent Company 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 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-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

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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**

35<sup>th</sup> 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** as at December 31, 2020 and 2019. 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 at December 31, 2020 and 2019 and no material exceptions were noted.

Except for net profit margin, the revenue component of this financial soundness indicator cannot be traced nor derived from the audited financial statements.

**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

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For the firm:



**ALFONSO L. CAY-AN**

**Partner**

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

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

Makati City, Philippines

April 14, 2021



**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

*(In Philippine Peso)*

| ASSETS                                                                | Notes | December 31, |              |
|-----------------------------------------------------------------------|-------|--------------|--------------|
|                                                                       |       | 2020         | 2019         |
| CURRENT ASSETS                                                        |       |              |              |
| Cash                                                                  | 9     | 165,900      | 225,760      |
| Trade and other receivables, net                                      | 10    | -            | 35,134       |
| Prepayments and other current assets                                  | 11    | 499,057      | 1,484,292    |
| Total current assets                                                  |       | 664,957      | 1,745,186    |
| NON-CURRENT ASSETS                                                    |       |              |              |
| Asset held for sale                                                   | 12    | 577,074,835  | 366,185,828  |
| Equity instrument at fair value<br>through other comprehensive income | 13    | 20,834,600   | 21,122,000   |
| Investment in subsidiaries                                            | 14    | 18,640,500   | 18,640,500   |
| Property and equipment, net                                           | 15    | 232,660      | 58,744       |
| Total non-current assets                                              |       | 616,782,595  | 406,007,072  |
| TOTAL ASSETS                                                          |       | 617,447,552  | 407,752,258  |
| LIABILITIES AND EQUITY                                                |       |              |              |
| CURRENT LIABILITIES                                                   |       |              |              |
| Accrued expenses and other liabilities                                | 16    | 1,122,966    | 1,066,118    |
| NON CURRENT LIABILITIES                                               |       |              |              |
| Non-current portion of accrued liability                              | 16    | 123,438,803  | 123,438,803  |
| Due to related parties                                                | 17    | 274,387,554  | 59,002,890   |
| Retirement benefit payable                                            | 19    | -            | 969,685      |
| Total liabilities                                                     |       | 398,949,323  | 184,477,496  |
| EQUITY                                                                |       |              |              |
| Share capital                                                         | 20    | 306,122,449  | 306,122,449  |
| Additional paid-in capital                                            | 20    | 3,571,923    | 3,571,923    |
| Fair value reserve                                                    | 13    | 4,652,877    | 4,940,277    |
| Cumulative deficit                                                    | 21    | (95,849,020) | (91,359,887) |
| Total equity                                                          |       | 218,498,229  | 223,274,762  |
| TOTAL LIABILITIES AND EQUITY                                          |       | 617,447,552  | 407,752,258  |

*See Notes to Parent Company Financial Statements*

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**  
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**  
*(In Philippine Peso)*

| <b>For the Years Ended December 31,</b>                 | <b>Notes</b> | <b>2020</b>               | <b>2019</b>               |
|---------------------------------------------------------|--------------|---------------------------|---------------------------|
| <b>REVENUES</b>                                         |              | -                         | -                         |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>              | 23           | <u>5,505,485</u>          | <u>2,639,931</u>          |
| <b>OPERATING LOSS</b>                                   |              | <b>(5,505,485)</b>        | <b>(2,639,931)</b>        |
| <b>OTHER INCOME (EXPENSE), NET</b>                      | 24           | <u>666,467</u>            | <u>(4,303)</u>            |
| <b>NET LOSS BEFORE TAX</b>                              |              | <b>(4,839,018)</b>        | <b>(2,644,234)</b>        |
| <b>INCOME TAX BENEFIT</b>                               | 18           | <u>352,895</u>            | <u>265</u>                |
| <b>NET LOSS</b>                                         |              | <b>(4,486,123)</b>        | <b>(2,643,969)</b>        |
| <b>OTHER COMPREHENSIVE LOSS</b>                         |              |                           |                           |
| Unrealized loss on equity investment                    | 13           | <b>(287,400)</b>          | <b>(1,437,000)</b>        |
| <b>TOTAL COMPREHENSIVE LOSS</b>                         |              | <u><b>(4,773,523)</b></u> | <u><b>(4,080,969)</b></u> |
| <i>See Notes to Parent Company Financial Statements</i> |              |                           |                           |

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

**PARENT COMPANY STATEMENTS OF CASH FLOWS**

*(In Philippine Peso)*

| <b>For the Years Ended December 31,</b>                       | <b>Notes</b> | <b>2020</b>          | <b>2019</b> |
|---------------------------------------------------------------|--------------|----------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |              |                      |             |
| Net loss before tax                                           |              | <b>(4,839,018)</b>   | (2,644,234) |
| Adjustments for:                                              |              |                      |             |
| Depreciation                                                  | 23           | <b>175,074</b>       | 176,232     |
| Provision for impairment                                      | 11,23        | <b>1,450,756</b>     | -           |
| Written-off accrued retirement benefit                        | 19           | <b>(672,444)</b>     | -           |
| Interest expense                                              | 23           | <b>6,359</b>         | 4,651       |
| Interest income                                               | 18           | <b>(382)</b>         | (348)       |
| Operating loss before working capital changes                 |              | <b>(3,879,655)</b>   | (2,463,699) |
| Changes in assets and liabilities:                            |              |                      |             |
| Trade and other receivables                                   |              | <b>(1,415,622)</b>   | 18,981      |
| Prepayments and other current assets                          |              | <b>982,225</b>       | (128,154)   |
| Accrued expenses and other liabilities                        |              | <b>286,143</b>       | 168,754     |
| Net cash from operating activities                            |              | <b>(4,026,909)</b>   | (2,404,118) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |              |                      |             |
| Proceeds from (acquisition of) asset held for sale            | 12           | <b>(210,889,007)</b> | 2,634,110   |
| Increase in recognized right-of-use asset                     | 15           | <b>(348,990)</b>     | -           |
| Interest received                                             | 18           | <b>382</b>           | 348         |
| Net cash from investing activities                            |              | <b>(211,237,615)</b> | 2,634,458   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |              |                      |             |
| Additional advances from (payments to) due to related parties | 22           | <b>215,384,664</b>   | (600)       |
| Interest paid                                                 | 23           | <b>(6,359)</b>       | (4,651)     |
| Payment of principal portion of lease liability               | 24           | <b>(173,641)</b>     | (175,349)   |
| Net cash from financing activities                            |              | <b>215,204,664</b>   | (180,600)   |
| <b>NET INCREASE (DECREASE) IN CASH</b>                        |              | <b>(59,860)</b>      | 49,740      |
| <b>CASH, Beginning</b>                                        | 9            | <b>225,760</b>       | 176,020     |
| <b>CASH, End</b>                                              | 9            | <b>165,900</b>       | 225,760     |

*See Notes to Parent Company Financial Statements*

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

*(In Philippine Peso)*

|                                   |       | <b>December 31,</b> |              |
|-----------------------------------|-------|---------------------|--------------|
|                                   | Notes | <b>2020</b>         | <b>2019</b>  |
| <b>CAPITAL STOCK</b>              |       |                     |              |
| Class "A"                         | 20    | <b>183,673,470</b>  | 183,673,470  |
| Class "B"                         | 20    | <b>122,448,979</b>  | 122,448,979  |
| Balance at end of year            |       | <b>306,122,449</b>  | 306,122,449  |
| <b>ADDITIONAL PAID-IN-CAPITAL</b> | 20    | <b>3,571,923</b>    | 3,571,923    |
| <b>FAIR VALUE RESERVE</b>         |       |                     |              |
| Balance at beginning of year      | 13    | <b>4,940,277</b>    | 6,377,277    |
| Other comprehensive gain (loss)   | 13    | <b>(287,400)</b>    | (1,437,000)  |
| Balance at end of year            |       | <b>4,652,877</b>    | 4,940,277    |
| <b>CUMULATIVE DEFICIT</b>         |       |                     |              |
| Balance at beginning of year      | 21    | <b>(91,359,887)</b> | (88,715,918) |
| Expired unutilized deferred MCIT  | 11,21 | <b>(3,010)</b>      | -            |
| Net loss                          | 21    | <b>(4,486,123)</b>  | (2,643,969)  |
| Balance at end of year            |       | <b>(95,849,020)</b> | (91,359,887) |
| <b>TOTAL EQUITY</b>               |       | <b>218,498,229</b>  | 223,274,762  |

*See Notes to Parent Company Financial Statements*

## METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

### NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

December 31, 2020 and 2019

#### NOTE 1 – REPORTING ENTITY

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** (MAHEC or the Parent Company) was incorporated in the Philippines in 1929. In 1979, the Parent Company obtained approval from the Securities and Exchange Commission (SEC) for the extension of its corporate life to another 50 years under registration number 296. MAHEC is a holding company with business interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics.

The new registered office address of the Parent Company is 35<sup>th</sup> 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 Company's Articles of Incorporation in regard to the change of Company's official business address from 22<sup>nd</sup> Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35<sup>th</sup> 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 Parent Company financial statements as of December 31, 2020 were authorized for issue by the Board of Directors (BOD) on April 14, 2021.

#### NOTE 2 – STATUS OF OPERATIONS

##### 2.1 Going Concern

The accompanying Parent Company 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 12, 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's 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 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.

### **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 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 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 Parent Company's management has also considered the consequences of COVID-19 and other events and made an assessment on the Parent Company'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 Parent Company'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 12.

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 a 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 Guaranteed 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 owning 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, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII 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 for US\$8 million 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 rising from their various agreements.

|                                                                               |
|-------------------------------------------------------------------------------|
| <b>NOTE 3 – BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS</b> |
|-------------------------------------------------------------------------------|

### **3.1 Statement of compliance**

The Parent Company financial statements are prepared as the separate financial statements of the Parent Company in compliance with Philippine Financial Reporting Standards (PFRS) approved by the Financial Reporting Standards Council and the SEC.

The accompanying financial statements are the Parent Company's financial statements prepared in compliance with Philippine Accounting Standard (PAS) 27, *Consolidated and Separate Financial Statements*.

The Parent Company also prepares, and issues consolidated financial statements for the same periods, which include the Parent Company financial statements and subsidiaries. As a publicly listed company, the Parent Company is required by the SEC to prepare both separate and consolidated financial statements under full PFRS, which are available for public use.

The Parent Company financial statements have been prepared on the accrual basis using historical cost basis, except for equity instruments at FVOCI that are measured at fair value. The Parent Company financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest million, except when otherwise indicated.

### **3.2 Statement of preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the years presented, unless otherwise stated.

### **3.3 Functional and presentation currency**

The financial statements are prepared in Philippine Peso (₱), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

### **3.4 Use of judgments and estimates**

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Parent Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 5.

### **3.5 Adoption of new and revised accounting standards**

#### **New and Revised Accounting Standards Effective in 2020**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Parent Company adopted effective for annual periods beginning on or after January 1, 2020:

- *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.

- *Amendments to 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. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- *Amendments to PFRS 3 - 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.
- *Amendments to PFRS 7 and 9, Financial Instruments; Disclosures and PAS 39, Financial Instruments: Recognition and Measurements* - The amendment includes specific disclosures are required in relation to transferred financial assets while the PFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting; For PAS 39, special rules apply to embedded derivatives and hedging instruments.
- *Amendments PFRS 9, PAS 39, and PFRS 7 – Interest Rate Benchmark Reform Phase I* – The amendment modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform; are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform; are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- *Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS does not have any material effect on the financial statements of the Parent Company. Additional disclosures will be included in the notes to financial statements, as applicable.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Parent Company adopted effective for annual periods 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 IFRS 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 IFRS 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 IAS 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, including in financial statements not yet authorized for issue on May 28, 2020. The amendment is also available for interim reports.

The Parent Company did not apply the exemption hence the amendments have no effect or impact to the financial statements.

### **New and Revised Accounting Standards Effective in 2021**

*Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, and PFRS 16 - Interest Rate Benchmark Reform Phase 2* - the amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying PFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The amendment has no significant impact on the financial statements of the Parent Company.

*IFRIC 17 Insurance Contracts* - requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

IFRIC 17 has no significant impact on the financial statements of the Parent Company.

### **New and Revised Accounting Standards Effective in 2022**

*Annual Improvements to PFRS Standards 2018-2020 Cycle* – 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 IFRSs.
- 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.
- 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.

*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 specifies 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 labor, 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 IFRS 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 Parent Company is still assessing the impact of the preceding amendments to the financial statements.

### **New and Revised Accounting Standards Effective in 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 IFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of IFRS 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 Parent Company is still assessing the impact of the preceding amendments to the financial statements.

### **3.7 Current versus non-current classification**

The Parent Company 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 Parent Company classifies all other liabilities as noncurrent.

#### **NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these Parent Company 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 Parent Company recognizes a financial asset or a financial liability in the 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.

*Classification.* The Parent Company 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 Parent Company's business model and its contractual cash flow characteristics.

*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 Parent Company's cash, trade and other receivables are included under this category.

*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 Parent Company 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 statement 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 Parent Company'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 Parent Company 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 Parent Company's accrued expenses and other liabilities and due to related parties are included under this category.

#### **4.2 Reclassification**

The Parent Company 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 Parent Company 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 Parent Company expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For loan receivables, the Parent Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For 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 Parent Company 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.

#### **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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company’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 Parent Company 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 statement 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 Parent Company 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 statement 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 statement 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 statement of financial position.

#### **4.6 Cash**

Cash includes cash on hand and in banks which are measured at face value.

#### **4.7 Trade and other receivables, net**

Trade and other receivables are stated initially at their nominal values and subsequently recognized at realizable values, net of settlement collections, and provision for impairment. Impairment is considered when there is objective evidence that the Parent Company will not be able to collect the debts.

#### **4.8 Prepayments and other current assets**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or have expired in the passage of time.

Other assets are recognized when the Parent Company expects to receive future economic benefit from them, and the amount can be measured reliably. Other assets are classified in the 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 Parent Company's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

#### **4.9 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.

#### **4.10 Investment in subsidiary**

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Parent Company. The Parent Company has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment in subsidiary in the Parent Company financial statements is carried at cost, less any impairment in the value of the individual investment.

#### **4.11 Impairment of non-financial assets**

The carrying values of investment in subsidiary and computer equipment 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 Parent Company's statement 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 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.

#### **4.12 Property and equipment**

Property and equipment are carried at acquisition costs less accumulated depreciation and amortization and any impairment in value.

The costs of an asset comprise its purchase price and directly attribute costs of bringing the asset to working condition for its intended use. Expenditures for addition, major improvements and renewal are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets.

The useful life of the Parent Company's computer equipment is 3 years.

Further, amortization of leased 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.

On the date of recognition, the Parent Company amortized its right-of-use asset using the lease term of 24 months, being the lesser when compare to the useful life of the office space.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item.) is include in profit or loss in the years the items is derecognized.

#### **4.13 Accrued expenses**

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.

#### **4.14 Other current liabilities**

Other current payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and other third-party entities. Other current payables are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer); otherwise, they are presented as noncurrent liabilities.

#### **4.15 Due to (from) related parties**

Due to related parties represent non-interest bearing and interest-bearing cash advances provided by/to the company which are recorded and measured at the amount cash paid or received.

#### **4.16 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 capital stock. 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.

#### **4.17 Revenue recognition**

Revenue is recognized to the extent that is probable that the economic benefits associated with the transaction will flow to the Parent Company and the revenue can be measured reliably.

- 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.

#### **4.18 Cost and expenses**

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen than can be measured reliably. Cost and expenses are recognized in profit or loss on the basis of direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset

Expenses in the statement of income are presented using the function of expense method

#### **4.19 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 Parent Company 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 Parent Company,
- b) the Parent Company 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 Parent Company has the *right to direct the use* of the identified asset throughout the period of use.

The Parent Company shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

#### As a lessee

The Parent Company recognizes right-of-use assets and lease liabilities for its leases.

##### (a) Right-of-use asset

At the initial application date, the Parent Company recognizes a right-of-use asset on the statement 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 Parent Company, 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 Parent Company 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 Parent Company also assesses the right-of-use asset for impairment when such indicators exist.

##### (b) Lease liability

At the initial application date, the Parent Company 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 Parent Company'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.

#### 4.20 Retirement benefits cost

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest

rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The cumulative gains or losses arising from the remeasurements are now shown as a separate line item in the statement of financial position as "remeasurement loss on retirement benefits obligation".

The Parent Company 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.

In 2020, balance of accrued retirement benefits is derecognized since all employees have retired (Note 19).

#### **4.21 Foreign currency transactions and translations**

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

#### **4.22 Income tax**

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the Parent Company's statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

##### *Deferred tax*

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefit of the net operating loss carryover (NOLCO). The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward benefit of unused NOLCO can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **4.23 Related party transactions and relationship**

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 Parent Company and close members of the family of any individuals owning directly or indirectly a significant voting power of the Parent Company that gives them significant influence in the financial and operating policy decisions of the Parent Company are also considered to be related parties.

An entity is related to the Parent Company if any of the following conditions apply:

- The entity and the Parent Company 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 Parent Company (or an associate or joint venture of a member of the Parent Company 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 the Parent Company. If the entity is itself such a plan, the sponsoring employers are also related to the Parent Company
- 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 Parent Company 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 Parent Company when it directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Parent Company. 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.

#### **4.24 Provisions**

Provisions are recognized only when the Parent Company 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 Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a Parent Company asset but only when the receipt of the reimbursement is virtually certain.

#### **4.25 Contingencies**

Contingent liabilities are not recognized in the Parent Company 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 Parent Company financial statements but are disclosed when an inflow of economic benefits is probable.

#### **4.26 Events after the reporting date**

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

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|-------------------------------------------------------------|
| <b>NOTE 5 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS</b> |
|-------------------------------------------------------------|

**5.1 Use of estimates and judgment**

The preparation of the Parent Company's financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the Parent Company's financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying Parent Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Parent Company's financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

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.

*a) Estimated allowance for doubtful accounts and probable losses*

The Parent Company reviews the carrying amounts of due from related parties, due to related parties, creditable withholding taxes and input taxes (classified as other current assets) as well as 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.

Creditable withholding taxes and input taxes totaling ₱12,641,452 and ₱12,519,968 as of December 31, 2020 and 2019, respectively, were provided with ₱12,641,452 and ₱11,190,696 allowance for probable losses, respectively (Note 11).

Advances to Polymax (under asset held for sale) amounting to ₱577.1 million and ₱366.2 million as of December 31, 2020 and 2019, respectively, constitutes 93% and 89% of the Parent Company's total assets in 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, are 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 (Note 12).

*b) Asset impairment*

The Parent Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Parent Company has determined that its investment in subsidiary amounting to ₱647,976,305 is impaired resulting to allowance of ₱629,335,805 both in 2020 and 2019 (see Note 14). No additional impairment was recognized in the books in 2020 and 2019.

*c) Fair value of financial asset and financial liabilities*

The Parent Company carries certain financial assets and financial liabilities at fair value, which requires the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices, interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity.

The recoverable amount of financial assets at FVOCI with available market prices was determined based on quoted bid prices. Financial assets at FVOCI investments amounted to ₱20,834,600 and ₱21,122,000 as of December 31, 2020 and 2019, respectively (Note 13).

*d) Useful life of property and equipment*

The Parent Company estimates the useful lives of Property and Equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of the property and equipment are reviewed

periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Refer to Note 4.12 for the estimated useful lives of property and equipment.

*e) Realizability of deferred tax assets*

The Parent Company reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets (DTA) to the extent that it is no longer probable (or recognizes DTA to the extent that it is probable) that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The Parent Company did not recognize deferred income tax assets on deductible temporary difference (accrued retirement benefits cost) and unused NOLCO totaling ₱8.5 million and ₱8.8 million, as of December 31, 2020 and 2019, respectively, because management believes that the Parent Company may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets (Note 18).

*f) Classification of financial instruments*

The Parent Company classifies 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, financial liability or an equity instrument. The substance of financial instrument, rather than its legal form, governs its classification in the Parent Company's balance sheet.

The Parent Company determines the classification at initial recognition and reevaluates this designation at every financial reporting date.

*g) Contingencies*

The Parent Company currently involved in various legal proceedings, which are normal to its business as discussed in Note 26. The Parent Company'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 Parent Company and its legal counsel believe that these legal proceeding will not have a material adverse effect on the financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

*h) 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 Parent Company on the initial application 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 Parent Company's determined incremental rate used to compute the carrying value of lease liability amounting to ₱234,976 and ₱59,627, respectively, is 3% (Note 16).

|                                                                   |
|-------------------------------------------------------------------|
| <b>NOTE 6 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES</b> |
|-------------------------------------------------------------------|

The Parent Company's principal financial instruments consist of cash, due from related parties, equity instruments and due to related parties. The main purpose of these financial instruments is to finance the Parent Company's operations. Other financial liabilities consist of accrued expenses and other liabilities, which arise directly from the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks which are summarized below.

### *Credit risk*

It is the Parent Company's policy to require all concerned related parties 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.

a. Maximum exposure to credit risk

The Parent Company's financial assets as reflected in the statements of financial position and related notes already represent their maximum financial assets' exposure to credit risk before and after taking into account collateral or credit enhancement held as of the reporting dates.

b. Credit quality per class of financial assets

Description of the credit quality grades used by the Company follows:

*Financial assets – Fair value through other comprehensive income*

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 company. 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 tables below show credit quality by class of financial assets based on the Company's credit quality grades (gross of related allowance for credit losses).

The table below presents the credit quality of financial assets and an analysis of past due accounts.

| Particulars                                     | 2020                          |                |              | 2019                          |                |              |
|-------------------------------------------------|-------------------------------|----------------|--------------|-------------------------------|----------------|--------------|
|                                                 | Neither Past Due nor Impaired |                |              | Neither Past Due nor Impaired |                |              |
|                                                 | High Grade                    | Standard Grade | Total        | High Grade                    | Standard Grade | Total        |
| <b>Financial assets at amortized cost</b>       |                               |                |              |                               |                |              |
| Cash*                                           | ₱ 140,900                     | ₱ -            | ₱ 140,900    | ₱ 200,760                     | ₱ -            | ₱ 200,760    |
| Trade and other receivables                     | -                             | -              | -            | 35,134                        | -              | 35,134       |
| <b>Total financial assets at amortized cost</b> | ₱ 140,900                     | ₱ -            | ₱ 140,900    | 235,894                       | -              | 235,894      |
| <b>Equity instruments at FVOCI</b>              | 20,834,600                    | -              | 20,834,600   | 21,122,000                    | -              | 21,122,000   |
| <b>Total</b>                                    | ₱ 20,975,500                  | ₱ -            | ₱ 20,975,500 | ₱ 21,357,894                  | ₱ -            | ₱ 21,357,894 |

\*Excludes cash on hand



The credit quality of receivables is managed by the Parent Company using internal credit quality ratings. High and standard grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults. The Parent Company constantly monitors the receivables from these payors 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.

The risk on cash is minimal as the Parent Company deals only with reputable banks with strong credit ratings.

Due from related parties are high grade accounts that are due from related parties with good financial standing.

#### *Liquidity risk*

The Parent Company's objective is to maintain a balance between flexibility and continuity of funding. However, because of past due liabilities for which the Parent Company is jointly and severally liable, the Parent Company's 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.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

| Particulars                                      | 2020      |               |                  |                 |
|--------------------------------------------------|-----------|---------------|------------------|-----------------|
|                                                  | On Demand | Within 1 Year | More than 1 Year | Total           |
| <b>Financial Assets at amortized cost</b>        |           |               |                  |                 |
| Cash*                                            | ₱ 140,900 | ₱ -           | ₱ -              | ₱ 140,900       |
| Trade and other receivables                      | -         | -             | -                | -               |
| Subtotal                                         | 140,900   | -             | -                | 140,900         |
| Equity investments at FVOCI                      | -         | -             | 20,834,600       | 20,834,600      |
| Total                                            | 140,900   | -             | 20,834,600       | 20,975,500      |
| <b>Financial Liabilities</b>                     |           |               |                  |                 |
| Due to related parties                           | ₱ -       | ₱ -           | ₱ 274,387,554    | ₱ 274,387,554   |
| Accrued expenses and other liabilities**         | -         | 811,576       | 123,438,803      | 124,250,379     |
| Total                                            | -         | 811,576       | 397,826,357      | 398,637,933     |
| <b>Net Position</b>                              | ₱ 140,900 | ₱ (811,576)   | ₱ (376,991,757)  | ₱ (377,662,433) |
| <i>*Excludes cash on hand</i>                    |           |               |                  |                 |
| <i>**Excludes dues to government liabilities</i> |           |               |                  |                 |
| Particulars                                      | 2019      |               |                  |                 |
|                                                  | On Demand | Within 1 Year | More than 1 Year | Total           |
| <b>Financial Assets at amortized cost</b>        |           |               |                  |                 |
| *Cash                                            | ₱ 200,760 | ₱ -           | ₱ -              | ₱ 200,760       |
| Trade and other receivables                      | -         | 35,134        | -                | 35,134          |
| Subtotal                                         | 200,760   | 35,134        | -                | 235,894         |
| Equity investments at FVOCI                      | -         | -             | 21,122,000       | 21,122,000      |
| Total                                            | 200,760   | 35,134        | 21,122,000       | 21,357,894      |
| <b>Financial Liabilities</b>                     |           |               |                  |                 |
| Due to related parties                           | ₱ -       | ₱ -           | ₱ 59,002,890     | ₱ 59,002,890    |
| Accrued expenses and other liabilities**         | -         | 739,980       | 123,438,803      | 124,178,783     |
| Total                                            | -         | 739,980       | 182,441,693      | 183,181,673     |
| <b>Net Position</b>                              | ₱ 200,760 | ₱ (704,846)   | ₱ (161,319,693)  | ₱ (161,823,779) |
| <i>*Excludes cash on hand</i>                    |           |               |                  |                 |
| <i>*Excludes dues to government liabilities</i>  |           |               |                  |                 |

## NOTE 7 – CAPITAL MANAGEMENT

The primary objectives of the Parent Company's capital management are to safeguard the ability of the Parent Company to continue as a going concern and to maintain a capital structure that supports its business. The Parent Company manages its capital structure in light of changes in economic conditions and in close coordination with its major stockholders and other related parties by making adjustments on payments to its related parties and issuing new shares.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Parent Company's external environment and the risks underlying the Parent Company's business, operation and industry.

The Parent Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings (deficit). Other components of equity such as reserve for fluctuations in financial assets at FVOCI are excluded from capital for purposes of capital management.

The Parent Company monitors capital as follows:

| Particulars                | 2020                 | 2019                 |
|----------------------------|----------------------|----------------------|
| Share capital              | ₱ 306,122,449        | ₱ 306,122,449        |
| Additional paid-in capital | 3,571,923            | 3,571,923            |
| Deficit                    | <u>(95,849,020)</u>  | <u>(91,359,887)</u>  |
| Total                      | ₱ <u>213,845,352</u> | ₱ <u>218,334,485</u> |

The Parent Company is not subject to externally imposed capital requirements.

## NOTE 8 – FAIR VALUE MEASUREMENT

The following table summarizes the carrying and fair values of the Parent Company's financial assets and financial liabilities as of December 31, 2020 and 2019:

| Particulars                                      | 2020                 |                    | 2019               |                    |
|--------------------------------------------------|----------------------|--------------------|--------------------|--------------------|
|                                                  | Carrying Value       | Fair Value         | Carrying Value     | Fair Value         |
| <b>Financial Assets</b>                          |                      |                    |                    |                    |
| Cash*                                            | ₱ 140,900            | 140,900            | 200,760            | 200,760            |
| Trade and other receivables                      | -                    | -                  | 35,134             | 35,134             |
| Equity investments at FVOCI                      | <u>20,834,600</u>    | <u>20,834,600</u>  | <u>21,122,000</u>  | <u>21,122,000</u>  |
| Total                                            | ₱ <u>20,975,500</u>  | <u>20,975,500</u>  | <u>21,357,894</u>  | <u>21,357,894</u>  |
| <b>Financial Liabilities</b>                     |                      |                    |                    |                    |
| Due to related parties                           | 274,387,554          | 274,387,554        | 59,002,890         | 59,002,890         |
| Accrued expenses and other current liabilities** | <u>124,250,379</u>   | <u>124,250,379</u> | <u>124,178,783</u> | <u>124,178,783</u> |
| Total                                            | ₱ <u>398,637,933</u> | <u>398,637,933</u> | <u>183,181,673</u> | <u>183,181,673</u> |

\*Excludes cash on hand

\*\*Excludes dues to government liabilities

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 financial liabilities*

Due to the short-term nature of the transactions, the carrying values of cash, due from (to) related parties and accrued expenses and other current liabilities approximate their fair values.

### *Equity investments at FVOCI*

The fair values of Financial assets at FVOCI, which are publicly traded instruments, are based on quoted bid prices.

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows the Parent Company's financial instruments carried at fair value:

| Particulars                 | 2020        |              | 2019        |              |
|-----------------------------|-------------|--------------|-------------|--------------|
|                             | Level 1     | Level 3      | Level 1     | Level 3      |
| Equity investments at FVOCI | ₱ 8,334,600 | ₱ 12,500,000 | ₱ 8,622,000 | ₱ 12,500,000 |
| Total                       | ₱ 8,334,600 | ₱ 12,500,000 | ₱ 8,622,000 | ₱ 12,500,000 |

There had been no transfers between Level 1 and Level 3 for the years ended December 31, 2020 and 2019.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counter-parties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

### **NOTE 9 – CASH**

As of December 31, the account consists of the following

| Particulars  | 2020      | 2019      |
|--------------|-----------|-----------|
| Petty cash   | ₱ 25,000  | ₱ 25,000  |
| Cash in bank | 140,900   | 200,760   |
| Total        | ₱ 165,900 | ₱ 225,760 |

Cash in banks earn interests at the bank's respective deposit rates.

### **NOTE 10 – TRADE AND OTHER RECEIVABLES, NET**

As of December 31, the account consists of the following

| Particulars                        | 2020          | 2019          |
|------------------------------------|---------------|---------------|
| Advances to officers and employees | ₱ -           | ₱ 35,134      |
| Advances to subsidiaries (Note 22) | 147,823,657   | 147,823,657   |
| Total                              | 147,823,657   | 147,858,791   |
| Less: Allowance for impairment     | (147,823,657) | (147,823,657) |
| Total                              | ₱ -           | ₱ 35,134      |

The advances to officers and employees are non-interest bearing and to be liquidated within 12 months after the reporting period.

A reconciliation of allowance for impairment of receivables is shown below:

| Particulars                             | 2020                 | 2019                 |
|-----------------------------------------|----------------------|----------------------|
| Balance at the beginning of the year    | ₱ 147,823,657        | ₱ 147,823,457        |
| Provision for impairment of receivables | <u>-</u>             | <u>-</u>             |
| Balance at the end of the year          | ₱ <u>147,823,657</u> | ₱ <u>147,823,457</u> |

#### NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

| Particulars                         | 2020                | 2019                |
|-------------------------------------|---------------------|---------------------|
| Creditable withholding taxes        | ₱ 7,721,700         | ₱ 7,721,700         |
| Input taxes (Note 27)               | 4,919,752           | 4,798,268           |
| Prepaid income tax (Note 18)        | 135,789             | 145,897             |
| Prepaid expense                     | -                   | 5,848               |
| Deferred MCIT (Note 21)             | -                   | 3,010               |
| Deferred tax asset                  | <u>363,268</u>      | <u>265</u>          |
| Total                               | 13,140,509          | 12,674,988          |
| Less: Allowance for probable losses | <u>(12,641,452)</u> | <u>(11,190,696)</u> |
| Net realizable value                | ₱ <u>499,057</u>    | ₱ <u>1,484,292</u>  |

A reconciliation of allowance for probable losses is shown below:

| Particulars                          | 2020                | 2019                |
|--------------------------------------|---------------------|---------------------|
| Balance at the beginning of the year | ₱ 11,190,696        | ₱ 11,190,696        |
| Provision for impairment (Note 23)   | <u>1,450,756</u>    | <u>-</u>            |
| Balance at the end of the year       | ₱ <u>12,641,452</u> | ₱ <u>11,190,696</u> |

As of December 31, 2020, deferred tax asset consists of:

|                            | Tax Base          |             |                |          |                   | Tax Effect |                |  |
|----------------------------|-------------------|-------------|----------------|----------|-------------------|------------|----------------|--|
|                            | Beginning balance | Movement    | Ending balance | Tax Rate | Beginning balance | Movement   | Ending balance |  |
| Net deferred tax on leases | ₱ 883             | ₱ 1,433     | ₱ 2,316        | 25%      | ₱ 265             | ₱ 314      | ₱ 579          |  |
| Provision for impairment   |                   | 1,450,756   | 1,450,756      | 25%      | -                 | 362,689    | 362,689        |  |
| Total                      | ₱ 883             | ₱ 1,452,189 | ₱ 1,453,072    |          | ₱ 265             | ₱ 363,003  | ₱ 363,268      |  |

As of December 31, 2019, deferred tax asset consists of:

|                               | Tax Base             |          |                   |             |                      | Tax Effect |                   |  |  |
|-------------------------------|----------------------|----------|-------------------|-------------|----------------------|------------|-------------------|--|--|
|                               | Beginning<br>balance | Movement | Ending<br>balance | Tax<br>Rate | Beginning<br>balance | Movement   | Ending<br>balance |  |  |
| Net deferred tax<br>on leases | ₱ -                  | ₱ 883    | ₱ 883             | 30%         | ₱ -                  | ₱ 265      | ₱ 265             |  |  |
| Total                         | ₱ -                  | ₱ 883    | ₱ 883             |             | ₱ -                  | ₱ 265      | ₱ 265             |  |  |

## NOTE 12 – ASSETS HELD FOR SALE

Asset held for sale amounting to ₱577,074,835 and ₱366,185,828, which constitutes 93% and 89% of the Parent Company'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. Another 20% of the remaining interest of Polymax in NPCA was sold in late 2014, bringing down Polymax's interest in NPCA to 20% as of December 31, 2014. Thereafter, NPCA management decided to discontinue polyethylene manufacturing and ceased operating as a going concern.

The remaining 20% interest of Polymax in NPCA, which is for sale, is valued at approximately US\$20 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. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, another 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 ₱300million and ₱73million, respectively.

During 2020 and 2019, the 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                 |
|---------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| 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>   |
| <b>Liabilities</b>                                |                      |                      |
| 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> |
| <b>Capital deficiency</b>                         | ₱ <u>822,989,527</u> | ₱ <u>822,989,527</u> |

Asset held for sale of Polymax pertains to the recorded value of Polymax's remaining 20% interest in NPCA.

Due from related parties of Polymax represents amount due from Philippine Estates Corporation and 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.

|                                                                                      |
|--------------------------------------------------------------------------------------|
| <b>NOTE 13 – EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b> |
|--------------------------------------------------------------------------------------|

The Company classifies its equity investments at fair value through other comprehensive income (FVOCI).

As of December 31, 2020, the equity investments at FVOCI consist of:

| Particulars        | Fair Value          | Acquisition Cost    | Accumulated Unrealized loss | Allowance for impairment |
|--------------------|---------------------|---------------------|-----------------------------|--------------------------|
| Equity securities: |                     |                     |                             |                          |
| Traded             | ₱ 8,334,600         | ₱ 3,681,723         | ₱ 4,652,877                 | ₱ -                      |
| Non-traded         | <u>12,500,000</u>   | <u>12,500,000</u>   | <u>-</u>                    | <u>-</u>                 |
| Total              | ₱ <u>20,834,600</u> | ₱ <u>16,181,723</u> | ₱ <u>4,652,877</u>          | ₱ <u>-</u>               |

As of December 31, 2019, the equity investments at FVOCI consist of:

| Particulars        | Fair Value          | Acquisition Cost    | Accumulated Unrealized loss | Allowance for impairment |
|--------------------|---------------------|---------------------|-----------------------------|--------------------------|
| Equity securities: |                     |                     |                             |                          |
| Traded             | ₱ 8,622,000         | ₱ 3,681,723         | ₱ 4,940,277                 | ₱ -                      |
| Non-traded         | <u>12,500,000</u>   | <u>12,500,000</u>   | <u>-</u>                    | <u>-</u>                 |
| Total              | ₱ <u>21,122,000</u> | ₱ <u>16,181,723</u> | ₱ <u>4,940,277</u>          | ₱ <u>-</u>               |

Equity securities consist of investment in companies listed and not listed in the Philippine Stock Exchange.

The fair values of equity securities have been determined directly by reference to published prices in an active market.

The reconciliation of the carrying amounts of investments is as follows:

| Particulars                         | 2020                | 2019                |
|-------------------------------------|---------------------|---------------------|
| Beginning balance, at fair value    | ₱ 21,122,000        | ₱ 22,559,000        |
| Fair value gain (loss) for the year | <u>(287,400)</u>    | <u>(1,437,000)</u>  |
| Total                               | ₱ <u>20,834,600</u> | ₱ <u>21,122,000</u> |

Movements in the net accumulated unrealized gain (loss) on equity instruments are as follows:

| Particulars                         | 2020               | 2019               |
|-------------------------------------|--------------------|--------------------|
| Beginning balance                   | ₱ 4,940,277        | ₱ 6,377,277        |
| Fair value gain (loss) for the year | <u>(287,400)</u>   | <u>(1,437,000)</u> |
| Total                               | ₱ <u>4,652,877</u> | ₱ <u>4,940,277</u> |

# NOTE 14 – INVESTMENT IN SUBSIDIARIES

As of December 31, the account consists of the following:

| Particulars                                           | 2020          | 2019          |
|-------------------------------------------------------|---------------|---------------|
| Unlisted shares, carried at cost                      |               |               |
| Asia HealthCare Inc. (AHI)                            | ₱ 9,000,000   | ₱ 9,000,000   |
| Consumer Products Distribution Services, Inc. (CPDSI) | 540,335,805   | 540,335,805   |
| Fez-Eac Holdings Inc. (FEZ)                           | 30,000,000    | 30,000,000    |
| Metro Combined Logistics Solutions, Inc (MCLSI)       | 18,640,500    | 18,640,500    |
| Zuellig Distributors Inc.(ZDI)                        | 50,000,000    | 50,000,000    |
| Total                                                 | 647,976,305   | 647,976,305   |
| Less: Allowance for impairment                        | (629,335,805) | (629,335,805) |
| Net realizable value                                  | ₱ 18,640,500  | ₱ 18,640,500  |

Details of the Company's Subsidiaries and the related movement in investments are as follows:

| Subsidiaries | Principal Activity                       | Shares held | Description of Percentage of Ownership Interest |       |
|--------------|------------------------------------------|-------------|-------------------------------------------------|-------|
|              |                                          |             | 2020                                            | 2019  |
| AHI          | Trading and pharmacy management          | 60%         | 60%                                             | 60%   |
| CPDSI        | Importation/Distributor of Polypropylene | 100%        | 100%                                            | 100%  |
| FEZ          | Trading and distribution                 | 100%        | 100%                                            | 100%  |
| MCLSI        | Outside logistic provider                | 51%         | 51%                                             | 51%   |
| ZDI          | Trading and distribution                 | 100 %       | 100 %                                           | 100 % |

# NOTE 15 – PROPERTY AND EQUIPMENT, NET

The movement of property and equipment are summarized below as of December 31, 2020:

| Particulars               | Balance, Beginning | Additions | Disposal/ Reclassification | Balance, Ending |
|---------------------------|--------------------|-----------|----------------------------|-----------------|
| Cost:                     |                    |           |                            |                 |
| Computer equipment        | ₱ 84,545           | ₱ -       | ₱ -                        | ₱ 84,545        |
| Right-of-use asset        | 234,976            | 348,990   | -                          | 583,966         |
| Total                     | 319,521            | ₱ 348,990 | ₱ -                        | 668,511         |
| Accumulated depreciation: |                    |           |                            |                 |
| Computer equipment        | 84,545             | -         | -                          | 84,545          |
| Right-of-use asset        | 176,232            | 175,074   | -                          | 351,306         |
| Total                     | 260,777            | ₱ 175,074 | ₱ -                        | 435,851         |
| Net book value            | ₱ 58,744           |           |                            | ₱ 232,660       |

The movement of property and equipment are summarized below as of December 31, 2019:

| Particulars               | Balance,<br>Beginning | Additions | Disposal/<br>Reclassification | Balance,<br>Ending |
|---------------------------|-----------------------|-----------|-------------------------------|--------------------|
| Cost:                     |                       |           |                               |                    |
| Computer equipment        | ₱ 84,545              | ₱ -       | ₱ -                           | ₱ 84,545           |
| Right-of-use asset        | -                     | 234,976   | -                             | 234,976            |
| Total                     | 84,545                | 234,976   | -                             | 319,521            |
| Accumulated depreciation: |                       |           |                               |                    |
| Computer equipment        | 84,545                | -         | -                             | 84,545             |
| Right-of-use asset        | -                     | 176,232   | -                             | 176,232            |
| Total                     | 84,545                | 176,232   | -                             | 260,777            |
| Net book value            | ₱ -                   |           |                               | ₱ 58,744           |

#### NOTE 16 – ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

| Particulars               | 2020          | 2019          |
|---------------------------|---------------|---------------|
| Current portion           |               |               |
| Accrued expenses          | ₱ 576,600     | ₱ 638,000     |
| Lease liability (Note 25) | 234,976       | 59,627        |
| Other current liabilities | 311,390       | 368,491       |
| Subtotal                  | 1,122,966     | 1,066,118     |
| Non-current portion       |               |               |
| Accrued expenses          | 123,438,803   | 123,438,803   |
| Total                     | ₱ 124,561,769 | ₱ 124,504,921 |

Lease liability pertains to the present value of lease payments, discounted at the discount rate of the lease.

Other current liabilities pertain to payable to government agencies.

The Parent Company has liabilities arising in the ordinary conduct of business, which are either pending decision by the government authorities or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, adequate provisions, which are recorded as part of accrued expenses, have been provided in the financial statements to cover 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 on the grounds that it may prejudice the outcome of these claims and tax assessments.

Non-current portion of the accruals pertain to management fee and reserve for BIR amounting to ₱39,685,406, ₱83,753,397, respectively. These are not expected to be settled within one year or the company's operating cycle, whichever is longer.



**NOTE 17 – DUE TO RELATED PARTIES**

As of December 31, this account consists of:

| Particulars                              | 2020                 | 2019                 |
|------------------------------------------|----------------------|----------------------|
| <i>Due to Affiliate</i>                  |                      |                      |
| Acesite (Phils.) Hotel Corporation       | ₱ 5,627,202          | ₱ 5,627,202          |
| Philippine Estate Corporation            | 268,260,352          | -                    |
| The Wellex Group Inc (TWGI)              | -                    | 52,876,888           |
| Subtotal                                 | <u>273,887,554</u>   | <u>58,504,090</u>    |
| <i>Due to Subsidiaries</i>               |                      |                      |
| Consumer Products Distribution Services  | 233,342,805          | 233,342,805          |
| FEZ-EAC Holding Inc.                     | 30,078,688           | 30,077,488           |
| Zuellig Distributors Inc.                | 27,446,253           | 27,446,253           |
| Metro Combined Logistics Solutions, Inc. | 500,000              | 500,000              |
| Subtotal                                 | <u>291,367,746</u>   | <u>291,366,546</u>   |
| Valuation allowance for impairment       | <u>(290,867,746)</u> | <u>(290,867,746)</u> |
| Subtotal                                 | <u>500,000</u>       | <u>498,800</u>       |
| Total (Note 22)                          | ₱ <u>274,387,554</u> | ₱ <u>59,002,890</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 wherein payment was not made until June 2020. Thus, an interest was incurred amounting to ₱5,260,007, and totaled the payable dues to ₱268,260,352 (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).

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

**NOTE 18 – 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 20, 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.

The detailed computation of the normal corporate income tax (expense) for the years ended December 31, is as follows:

| Particulars                            | 2020                 | 2019                 |
|----------------------------------------|----------------------|----------------------|
| Net loss                               | ₱ <u>(4,839,018)</u> | ₱ <u>(2,644,234)</u> |
| Permanent differences:                 |                      |                      |
| Non-deductible expenses and losses     | 14,439               | 76,932               |
| Interest income subjected to final tax | (382)                | (348)                |
| Temporary differences:                 |                      |                      |
| Provision for impairment               | 1,450,756            |                      |
| Deferred income on leases              | <u>1,433</u>         | <u>883</u>           |
| Taxable income (NOLCO)                 | <u>(3,372,772)</u>   | <u>(2,566,767)</u>   |
| Applicable tax rate                    | 27.5%                | 30%                  |
| Current tax expense                    | ₱ <u>-</u>           | ₱ <u>-</u>           |

The MCIT is computed as follows:

| Particulars                   | 2020               | 2019         |
|-------------------------------|--------------------|--------------|
| Revenues                      | ₱ -                | ₱ -          |
| Cost of sales and services    | <u>-</u>           | <u>-</u>     |
| Gross income                  | -                  | -            |
| Other income                  | <u>673,877</u>     | <u>-</u>     |
| Total                         | 673,877            | -            |
| MCIT rate                     | <u>1.5%</u>        | <u>2%</u>    |
| MCIT Due                      | ₱ <u>10,108</u>    | ₱ <u>-</u>   |
| Deferred tax income (Note 11) | ₱ <u>(363,003)</u> | <u>(265)</u> |
| Income tax benefit            | ₱ <u>(352,895)</u> | <u>(265)</u> |

In 2020, MCIT is higher than Normal Corporate Income Tax, hence it is the basis of the Company's tax due for 2020, while in 2019 the comparison between the Company's computed MCIT and Normal Corporate Income Tax (NCIT) discloses nil gross and taxable income, respectively; hence no tax due is recognized during the year.

As of December 31, the income tax payable (excess credits) of the Company is presented as follows

| Particulars                                      | 2020               | 2019               |
|--------------------------------------------------|--------------------|--------------------|
| Income tax payable for the year                  | ₱ 10,108           | ₱ -                |
| Prior year excess tax credits                    | (145,897)          | (145,897)          |
| Payments made during the year                    | -                  | -                  |
| Creditable withholding tax                       | <u>-</u>           | <u>-</u>           |
| Income tax still payable (overpayment) (Note 11) | ₱ <u>(135,789)</u> | ₱ <u>(145,897)</u> |

Deferred income tax assets of ₱2,121,797 and ₱2,637,896 as of December 31, 2020 and 2019, respectively, have not been recognized on deductible temporary difference and carry forward benefits of unused NOLCO as shown below, as management believes that the Parent Company may not have sufficient taxable profits or tax liabilities against which these temporary differences and NOLCO may be utilized.

| Particulars                                | 2020               | 2019               |
|--------------------------------------------|--------------------|--------------------|
| NOLCO                                      | ₱ 8,487,187        | ₱ 7,823,300        |
| Accrued retirement benefits cost (Note 19) | <u>-</u>           | <u>969,685</u>     |
| Total                                      | ₱ <u>8,487,187</u> | ₱ <u>8,792,985</u> |

NOLCO can be claimed as deduction from regular taxable income as follows:

| Year incurred | Amount       | Applied | Expired     | Balance     | Expiry date |
|---------------|--------------|---------|-------------|-------------|-------------|
| 2020          | ₱ 3,372,772  | ₱ -     | ₱ -         | ₱ 3,372,772 | 2023        |
| 2019          | 2,566,767    | -       | -           | 2,566,767   | 2022        |
| 2018          | 2,547,648    | -       | -           | 2,547,648   | 2021        |
| 2017          | 2,709,085    | -       | 2,709,085   | -           | 2020        |
| 2016          | 3,006,359    | -       | 3,006,359   | -           | 2019        |
| Total         | ₱ 14,202,631 | ₱ -     | ₱ 5,715,444 | ₱ 8,487,187 |             |

#### NOTE 19 – RETIREMENT BENEFIT PAYABLE

The Parent Company's retirement benefit obligation under RA No. 7641 amounted to nil and ₱969,685 as of December 31, 2020 and 2019. The accrued retirement benefit cost is determined based on the number of years of service rendered and compensation of a covered employee.

Movement of accrued retirement benefits cost is shown below.

| Particulars                               | 2020      | 2019      |
|-------------------------------------------|-----------|-----------|
| Present value of benefit obligation       | ₱ 969,685 | ₱ 969,685 |
| Current service cost                      | -         | -         |
| Benefits paid                             | (297,241) | -         |
| Write-off                                 | (672,444) | -         |
| Liability recognized in the balance sheet | ₱ -       | ₱ 969,685 |

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 Company has no longer employees (Note 24).

#### NOTE 20 – SHARE CAPITAL

The Parent Company's capital stock as of December 31, 2020 and 2019 consists of the following common shares:

| Particulars                                                            | 2020            | 2019            |
|------------------------------------------------------------------------|-----------------|-----------------|
| <b>Authorized</b>                                                      |                 |                 |
| 720,000,000 shares are considered as Class A at ₱1 par value per share | ₱ 720,000,000   | ₱ 720,000,000   |
| 480,000,000 shares are considered as Class A at ₱1 par value per share | 480,000,000     | 480,000,000     |
|                                                                        | ₱ 1,200,000,000 | ₱ 1,200,000,000 |
| <b>Issued and Outstanding</b>                                          |                 |                 |
| 183, 673,470 Class A shares at ₱1 par value per share                  | ₱ 183,673,470   | ₱ 183,673,470   |
| 122,448,979 Class B shares at ₱1 par value per share                   | 122,448,979     | 122,448,979     |
|                                                                        | ₱ 306,122,449   | ₱ 306,122,449   |
| <b>Additional Paid-in Capital</b>                                      | ₱ 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 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. However, the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2013 as discussed in Note 2.

## NOTE 21 – 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           |
|-----------------------------------------------------------------|----------------|----------------|
| Cumulative deficit, beginning                                   | ₱ (91,359,887) | ₱ (88,715,918) |
| Net loss based on the face of AFS                               | (4,773,523)    | (4,080,969)    |
| Expired unutilized deferred MCIT (Note 11)                      | (3,010)        | -              |
| Add: Non-actual gain/unrealized loss                            |                |                |
| Unrealized gain or loss on re-measurement of equity instruments | 287,400        | 1,437,000      |
| Net loss actual/realized                                        | (4,489,133)    | (2,643,969)    |
| Cumulative deficit, end                                         | ₱ (95,849,020) | ₱ (91,359,887) |

## NOTE 22 – RELATED PARTY TRANSACTIONS

The details of the Parent Company's related parties are summarized as follows:

| Name of the related party                     | Relationship | Nature of transaction                   | Country of incorporation |
|-----------------------------------------------|--------------|-----------------------------------------|--------------------------|
| Consumer Products Distribution Services, Inc. | Subsidiary   | Distribution of polyethylene            | Philippines              |
| Polymax Worldwide Limited                     | Affiliate    | Series of acquisition transaction       | British Virgin Island    |
| Acesite (Phils.) Hotel Corporation            | Affiliate    | Hotel business and other accommodations | Philippines              |
| The Wellex Group, Inc.                        | Affiliate    | Holding company                         | Philippines              |
| FEZ-EAC Holdings, Inc.                        | Subsidiary   | Holding company                         | Philippines              |
| Zuellig Distributors, Inc.                    | Subsidiary   | Holding company                         | Philippines              |
| Metro Combined Logistics Solutions, Inc.      | Subsidiary   | Third party logistics and warehousing   | Philippines              |
| Philippine Estate Corporation                 | Affiliate    | Holding and developing real estate      | Philippines              |

Significant transactions with related parties are as follows:

As of December 31, 2020,

| Particulars                            | Nature, terms, and conditions                               | Nature of consideration                        | Transactions  | Outstanding Balance |
|----------------------------------------|-------------------------------------------------------------|------------------------------------------------|---------------|---------------------|
| <b>Due from related parties:</b>       |                                                             |                                                |               |                     |
| CPDSI                                  | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration; Offset to accounts payable | ₱ -           | ₱ 147,823,657       |
| Total (Note 10)                        |                                                             |                                                | ₱ -           | ₱ 147,823,657       |
| <b>Advances (Asset held for sale):</b> |                                                             |                                                |               |                     |
| Polymax (Note 12)                      | Represents 20% share investment in NPCA                     | Cash consideration                             | ₱ 210,889,007 | ₱ 577,074,835       |

|                                    |                                                             |                                                   |                      |                      |
|------------------------------------|-------------------------------------------------------------|---------------------------------------------------|----------------------|----------------------|
| <b>Due to related parties:</b>     |                                                             |                                                   |                      |                      |
| Acesite (Phils.) Hotel Corporation | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | ₱ -                  | ₱ 5,627,202          |
| The Wellex Group, Inc.             | Unsecured, no impairment, no guarantee, noninterest bearing | Offset to accounts receivable                     | (52,876,888)         | -                    |
| CPDSI                              | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration; Offset to accounts receivable | -                    | 233,342,805          |
| FEZ-EAC Holdings, Inc.             | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | 1,200                | 30,078,688           |
| Zuellig Distributors, Inc.         | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | -                    | 27,446,253           |
| MCLSI                              | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | -                    | 500,000              |
| Philippine Estate Corporation      | Secured, no impairment, no guarantee, interest bearing      | Cash consideration                                | 268,260,352          | 268,260,352          |
| <b>Total (Note 17)</b>             |                                                             |                                                   | ₱ <u>215,384,664</u> | ₱ <u>565,255,300</u> |

As of December 31, 2019,

| Particulars                            | Nature, terms, and conditions                               | Nature of consideration                           | Transactions   | Outstanding balance  |
|----------------------------------------|-------------------------------------------------------------|---------------------------------------------------|----------------|----------------------|
| <b>Due from related parties:</b>       |                                                             |                                                   |                |                      |
| CPDSI                                  | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration; Offset to accounts payable    | ₱ -            | ₱ 147,823,657        |
| <b>Total (Note 10)</b>                 |                                                             |                                                   | ₱ -            | ₱ 147,823,657        |
| <b>Advances (Asset held for sale):</b> |                                                             |                                                   |                |                      |
| Polymax (Note 12)                      | Represents 20% share investment in NPCA                     | Cash consideration                                | ₱ (2,634,110)  | ₱ 366,185,828        |
| <b>Due to related parties:</b>         |                                                             |                                                   |                |                      |
| Acesite (Phils.) Hotel Corporation     | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | ₱ -            | ₱ 5,627,202          |
| The Wellex Group, Inc.                 | Unsecured, no impairment, no guarantee, noninterest bearing | Offset to accounts receivable                     | -              | 52,876,888           |
| CPDSI                                  | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration; Offset to accounts receivable | -              | 233,342,805          |
| FEZ-EAC Holdings, Inc.                 | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | (600)          | 30,077,488           |
| Zuellig Distributors, Inc.             | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | -              | 27,446,253           |
| MCLSI                                  | Unsecured, no impairment, no guarantee, noninterest bearing | Cash consideration                                | -              | 500,000              |
| Philippine Estate Corporation          | Secured, no impairment, no guarantee, interest bearing      | Cash consideration                                | -              | -                    |
| <b>Total (Note 17)</b>                 |                                                             |                                                   | ₱ <u>(600)</u> | ₱ <u>349,870,636</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 wherein payment was not made until June 2020. Thus, an interest was incurred amounting to ₱5,260,007, and totaled the payable dues to ₱268,260,352. (Note 17)

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).

The Parent Company has no compensation to key management personnel in 2020 and 2019.

#### **NOTE 23 – GENERAL AND ADMINISTRATIVE EXPENSES**

The details of general and administrative expenses are shown below:

| Particulars                             | 2020        | 2019        |
|-----------------------------------------|-------------|-------------|
| Professional fees                       | ₱ 2,252,333 | ₱ 879,333   |
| Provision for impairment (Note 11)      | 1,450,756   | -           |
| Personnel costs                         | 350,092     | 857,854     |
| Entertainment, amusement and recreation | 324,677     | 377,687     |
| Depreciation expense (Note 15)          | 175,074     | 176,232     |
| Utilities                               | 72,000      | 72,000      |
| Office supplies                         | 182,085     | 86,592      |
| Taxes and licenses (Note 27)            | 29,444      | 21,372      |
| Others                                  | 669,024     | 168,861     |
| Total                                   | ₱ 5,505,485 | ₱ 2,639,931 |

In 2020, personnel costs only covered the few months of salaries and employee benefits of the retired employees. Gratuity pay amounting to ₱297,241 was charged to accrued retirement benefits, which was written-off subsequently (Note 19).

Expenses classified as others pertains to various expenses such as printing, bank service charge, notarial fee, postage and delivery, trainings and seminars, transportation and travel, membership dues and fuel and oil.

#### **NOTE 24 – OTHER INCOME (EXPENSE), NET**

As of December 31, the account consists of the following:

| Particulars                | 2020      | 2019      |
|----------------------------|-----------|-----------|
| Interest income            | ₱ 382     | ₱ 348     |
| Interest expense (Note 25) | (6,359)   | (4,651)   |
| Other income               | 672,444   | -         |
| Total                      | ₱ 666,467 | ₱ (4,303) |

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 Company has no longer employees (Note 19).

#### **NOTE 25 – LEASE AGREEMENT**

##### *As a Lessee*

The Parent Company entered into a lease agreement with The Wellex Group, Inc. for a business space on the 35<sup>th</sup> floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the

lease is from May 1, 2020 until April 30, 2022 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱15,000, exclusive of VAT.

Following the adoption of PFRS 16, the Parent Company 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 December 31, 2020, the Parent Company's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱232,660 (Note 15) and ₱234,976 (Note 16), respectively.

Consequently, the Parent Company recognized depreciation expense and interest expense as reduction to the carrying amount of the asset and lease liability amounted to ₱175,074 (Note 23) and ₱6,359 (Note 24), respectively.

As of December 31, 2019, the Parent Company's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱58,744 (Note 15) and ₱59,627 (Note 16), respectively.

Consequently, the Parent Company recognized depreciation expense and interest expense as reduction to the carrying amount of the asset and lease liability amounted to ₱176,232 (Note 23) and ₱4,651 (Note 24), respectively.

## **NOTE 26 – 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 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 evidence 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 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 RTC.

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 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 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, 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, 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 Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/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 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.

- (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.

|                                                                                                        |
|--------------------------------------------------------------------------------------------------------|
| <p><b>NOTE 27 – SUPPLEMENTARY TAX INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)</b></p> |
|--------------------------------------------------------------------------------------------------------|

Presented below is the supplementary information which is required by the Bureau of Internal Revenue to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

### **I. Revenue Regulation No. 15-2010**

The information on taxes, duties and license fees paid or accrued during the year ended December 31, 2020 required under RR No. 15-2010, which became effective on December 31, 2010, are as follows:

#### **27.1 Output VAT**

The Parent Company has no sales transactions that are subject to output VAT in 2020.

#### **27.2 Input VAT**

The movements of input VAT during the year are summarized below.

| Particulars                                                | Amount             |
|------------------------------------------------------------|--------------------|
| Balance at beginning of year                               | ₱ 4,798,268        |
| Current year's domestic purchases/payments during the year | 121,484            |
| Input tax claimed                                          | -                  |
| Balance at end of year (Note 11)                           | ₱ <u>4,919,752</u> |

#### **27.3 Other taxes and licenses**

The details of other taxes and licenses paid and accrued are shown below.

| Particulars             | Amount          |
|-------------------------|-----------------|
| Annual registration fee | ₱ 500           |
| Business permit         | 1,614           |
| Others                  | <u>27,330</u>   |
| Total (Note 23)         | ₱ <u>29,444</u> |

#### **27.4 Withholding taxes**

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2020 consist of:

| Particulars                      | Total           |
|----------------------------------|-----------------|
| Tax on compensation and benefits | ₱ -             |
| Expanded withholding tax         | <u>69,211</u>   |
| Total                            | ₱ <u>69,211</u> |

#### **27.5 Tax contingencies**

The other deficiency tax case in which the Parent Company may be liable is discussed in Note 26a.

### **II. Revenue Regulations No. 34-2020**

On December 18, 2020, BIR issued Revenue Regulation No. 34-2020 which prescribed the guidelines and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending the pertinent provision of RR No. 19-2020 and RR No. 15-2010.

The Parent Company is covered by the requirements and procedures for related party transactions under the said regulation as it is one of the following taxpayers required to file and submit the RPT Form together with the Annual Income Tax Return (AITR) as provided under Section 2 thereof:

- a. Large taxpayer;
- b. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
- c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
- d. A related party, as defined under Section 3 of Revenue Regulations (RR) No. 19- 2020, which has transactions with (a), (b) or (c). For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**  
Schedule of Philippine Financial Reporting Standards

**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION**

**December 31, 2020 and 2019**

| 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<br>(except those attributable to Cash and Cash Equivalents)                                    |                       |                       |
| Unrealized actuarial gain                                                                                                               | -                     | -                     |
| • Fair value adjustment (M2M gains)                                                                                                     | -                     | -                     |
| • Fair value adjustment of Investment Property<br>resulting to gain adjustment<br>due to deviation from PFRS/GAAP-gain                  | -                     | -                     |
| • Other unrealized gains or adjustments<br>to the retained earnings as a result<br>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<br>(after tax)                                                                   | -                     | -                     |
| FMV gain/(loss) transferred to equity as a result of disposal of<br>equity investment at FVOCI                                          | -                     | -                     |
| Gain/(loss) from disposal of financial assets at FVOCI                                                                                  | -                     | -                     |
| Net Income Actual/Realized                                                                                                              | -                     | -                     |
| Unappropriated Retained Earnings, as adjusted, ending                                                                                   | ₱ <u>(95,849,020)</u> | ₱ <u>(91,359,887)</u> |

**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:

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as of December 31, 2020</b> |                                                                                                                | <b>Adopted</b> | <b>Not Adopted</b> | <b>Not Applicable</b> |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------|--------------------|-----------------------|
| <b>Framework for the Preparation and Presentation of Financial Statements</b>                                   |                                                                                                                | ✓              |                    |                       |
| Conceptual Framework Phase A: Objectives and qualitative characteristics                                        |                                                                                                                |                |                    |                       |
| <b>PFRSs Practice Statement Management Commentary</b>                                                           |                                                                                                                | ✓              |                    |                       |
| <b>Philippine Financial Reporting Standards</b>                                                                 |                                                                                                                |                |                    |                       |
| <b>PFRS 1 (Revised)</b>                                                                                         | 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                                                               | ✓              |                    |                       |
| <b>PFRS 2</b>                                                                                                   | Share-based Payment                                                                                            |                |                    | ✓                     |
|                                                                                                                 | Amendments to PFRS 2: Vesting Conditions and Cancellations                                                     |                |                    | ✓                     |
|                                                                                                                 | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions                                      |                |                    | ✓                     |
|                                                                                                                 | Amendment to PFRS 2: Definition of Vesting Condition                                                           |                |                    | ✓                     |
|                                                                                                                 | Amendment of PFRS 2: Classification and Measurement of Share- Based Payment Transactions                       |                |                    | ✓                     |
| <b>PFRS 3 (Revised)</b>                                                                                         | Business Combinations                                                                                          |                |                    | ✓                     |
|                                                                                                                 | Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination                          |                |                    | ✓                     |
|                                                                                                                 | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements                                                   |                |                    | ✓                     |
|                                                                                                                 | Amendments of PFRS 3: Definition of Business                                                                   |                |                    | ✓                     |
| <b>PFRS 4</b>                                                                                                   | Insurance Contracts                                                                                            |                |                    | ✓                     |
|                                                                                                                 | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts                                                 |                |                    | ✓                     |
|                                                                                                                 | Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4                                       |                |                    | ✓                     |
| <b>PFRS 5</b>                                                                                                   | Non-current Assets Held for Sale and Discontinued Operations                                                   | ✓              |                    |                       |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                                                                                                                                                                                                         | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary                                                                                                                                                                                                                                     |         |             | ✓              |
|                                                                                                   | Amendment to PFRS 5: Changes in methods of disposal                                                                                                                                                                                                                                                     |         |             | ✓              |
| <b>PFRS 6</b>                                                                                     | Exploration for and Evaluation of Mineral Resources                                                                                                                                                                                                                                                     |         |             | ✓              |
|                                                                                                   | Amendment to PFRS 6: Transition Relief                                                                                                                                                                                                                                                                  |         |             | ✓              |
| <b>PFRS 7</b>                                                                                     | 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                                                                                                                                                                                               |         |             | ✓              |
| <b>PFRS 8</b>                                                                                     | 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                                                                                                                                                       |         |             | ✓              |
| <b>PFRS 9</b>                                                                                     | 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 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 |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                                                              | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition |         |             | ✓              |
| <b>PFRS 10</b>                                                                                    | 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                                                 |         |             | ✓              |
| <b>PFRS 11</b>                                                                                    | Joint Arrangements                                                                                                                                           |         |             | ✓              |
|                                                                                                   | Amendments to PFRS 11: Transition Guidance                                                                                                                   |         |             | ✓              |
|                                                                                                   | Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations                                                                           |         |             | ✓              |
| <b>PFRS 12</b>                                                                                    | 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                                                                                            |         |             | ✓              |
| <b>PFRS 13</b>                                                                                    | Fair Value Measurement                                                                                                                                       | ✓       |             |                |
|                                                                                                   | Amendment to PFRS 13: Short- Term Receivables and Payables                                                                                                   | ✓       |             |                |
|                                                                                                   | Amendment to PFRS 13: Portfolio Exception                                                                                                                    | ✓       |             |                |
| <b>PFRS 14</b>                                                                                    | Regulatory Deferral Accounts                                                                                                                                 |         |             | ✓              |
| <b>PFRS 15</b>                                                                                    | Revenue from Contracts with Customers                                                                                                                        |         |             | ✓              |
| <b>PFRS 16</b>                                                                                    | Leases                                                                                                                                                       | ✓       |             |                |
|                                                                                                   | Amendments to PFRS 16: Rent Concessions                                                                                                                      |         |             | ✓              |
| <b>Philippine Accounting Standards</b>                                                            |                                                                                                                                                              |         |             |                |
| <b>PAS 1 (Revised)</b>                                                                            | 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 Current or Non-Current                                                                                 | ✓       |             |                |
|                                                                                                   | Amendments to PAS 1 - Classification of Liabilities as Current                                                                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income                                                                                     | ✓       |             |                |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                 | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | Amendments to PAS 1: Clarification of Statement of Changes in Equity                                            | ✓       |             |                |
|                                                                                                   | Amendments to PAS 1: Comparative information                                                                    | ✓       |             |                |
|                                                                                                   | Amendments to PAS 1: Disclosure Initiative                                                                      | ✓       |             |                |
|                                                                                                   | Amendments to PAS 1: Presentation of Financial Statements                                                       | ✓       |             |                |
| <b>PAS 2</b>                                                                                      | Inventories                                                                                                     | ✓       |             | ✓              |
| <b>PAS 7</b>                                                                                      | Statement of Cash Flows                                                                                         | ✓       |             |                |
|                                                                                                   | Amendments to PAS 7: Disclosure Initiative                                                                      | ✓       |             |                |
| <b>PAS 8</b>                                                                                      | Accounting Policies, Changes in Accounting Estimates and Errors                                                 | ✓       |             |                |
|                                                                                                   | Amendments to PAS 8: Definition of Material                                                                     | ✓       |             |                |
| <b>PAS 10</b>                                                                                     | Events after the Balance Sheet Date                                                                             | ✓       |             |                |
| <b>PAS 11</b>                                                                                     | Construction Contracts                                                                                          |         |             | ✓              |
| <b>PAS 12</b>                                                                                     | Income Taxes                                                                                                    | ✓       |             |                |
|                                                                                                   | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses                                 | ✓       |             |                |
| <b>PAS 16</b>                                                                                     | 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                                                     |         |             | ✓              |
| <b>PAS 17</b>                                                                                     | Leases                                                                                                          | ✓       |             |                |
|                                                                                                   | Amendments to PAS 17: Classification of Land Leases                                                             |         |             | ✓              |
| <b>PAS 18</b>                                                                                     | 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.       |         |             | ✓              |
| <b>PAS 19</b>                                                                                     | Employee Benefits                                                                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures                                   |         |             | ✓              |
|                                                                                                   | Amendments to PAS 19: Defined Benefit Plans: Employee Contribution                                              |         |             | ✓              |
|                                                                                                   | Amendments to PAS 19: Discount Rate: Regional Market                                                            |         |             | ✓              |
| <b>PAS 19 (Amended)</b>                                                                           | Employee Benefits                                                                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 19R: Plan Amendment, Curtailment                                                              |         |             | ✓              |



| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                          | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | or Settlement                                                                                                            |         |             |                |
| <b>PAS 20</b>                                                                                     | Accounting for Government Grants and Disclosure of Government Assistance                                                 |         |             | ✓              |
| <b>PAS 21</b>                                                                                     | The Effects of Changes in Foreign Exchange Rates                                                                         |         |             | ✓              |
|                                                                                                   | Amendment: Net Investment in a Foreign Operation                                                                         |         |             | ✓              |
| <b>PAS 23 (Revised)</b>                                                                           | Borrowing Costs                                                                                                          |         |             | ✓              |
|                                                                                                   | Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost                                                     |         |             | ✓              |
| <b>PAS 24 (Revised)</b>                                                                           | Related Party Disclosures                                                                                                | ✓       |             |                |
|                                                                                                   | Amendments to PAS 24: Key Management Personnel                                                                           | ✓       |             |                |
| <b>PAS 26</b>                                                                                     | Accounting and Reporting by Retirement Benefit Plans                                                                     | ✓       |             |                |
| <b>PAS 27 (Amended)</b>                                                                           | Separate Financial Statements                                                                                            | ✓       |             |                |
|                                                                                                   | Amendments for investment entities                                                                                       |         |             | ✓              |
|                                                                                                   | Amendments to PAS 27: Equity Method in Separate Financial Statements                                                     |         |             | ✓              |
| <b>PAS 28</b>                                                                                     | Investments in Associates and Joint Ventures                                                                             |         |             | ✓              |
| <b>PAS 28 (Amended)</b>                                                                           | 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              |         |             | ✓              |
| <b>PAS 29</b>                                                                                     | Financial Reporting in Hyperinflationary Economies                                                                       |         |             | ✓              |
| <b>PAS 31</b>                                                                                     | Interests in Joint Ventures                                                                                              |         |             | ✓              |
| <b>PAS 32</b>                                                                                     | 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                                                                 | ✓       |             |                |
| <b>PAS 33</b>                                                                                     | Earnings per Share                                                                                                       | ✓       |             |                |
| <b>PAS 34</b>                                                                                     | Interim Financial Reporting                                                                                              | ✓       |             |                |
|                                                                                                   | Amendment to PAS 34: Disclosure of information ‘Elsewhere in the Interim financial report’                               | ✓       |             |                |
| <b>PAS 36</b>                                                                                     | 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 |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                                                                              | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
|                                                                                                   | Amendments to PAS 36: Recoverable Amount Disclosures for Non- Financial Assets                                                                               | ✓       |             |                |
| <b>PAS 37</b>                                                                                     | Provisions, Contingent Liabilities and Contingent Assets                                                                                                     | ✓       |             |                |
| <b>PAS 38</b>                                                                                     | 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                                                     |         |             | ✓              |
| <b>PAS 39</b>                                                                                     | 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 Intragroup 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                                                                            |         |             | ✓              |
| <b>PAS 40</b>                                                                                     | Investment Property                                                                                                                                          |         |             | ✓              |
|                                                                                                   | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property |         |             | ✓              |
|                                                                                                   | Amendments to PAS 40: Transfers of Investment Property                                                                                                       |         |             | ✓              |
| <b>PAS 41</b>                                                                                     | Agriculture                                                                                                                                                  |         |             | ✓              |
|                                                                                                   | Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants                                                                                                  |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                                         | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
| <b>Philippine Interpretations</b>                                                                 |                                                                                                         |         |             |                |
| <b>IFRIC 1</b>                                                                                    | Changes in Existing Decommissioning, Restoration and Similar Liabilities                                |         |             | ✓              |
| <b>IFRIC 2</b>                                                                                    | Members' Share in Co-operative Entities and Similar Instruments                                         |         |             | ✓              |
| <b>IFRIC 4</b>                                                                                    | Determining Whether an Arrangement Contains a Lease                                                     | ✓       |             |                |
| <b>IFRIC 5</b>                                                                                    | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds    |         |             | ✓              |
| <b>IFRIC 6</b>                                                                                    | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment |         |             | ✓              |
| <b>IFRIC 7</b>                                                                                    | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies       |         |             | ✓              |
| <b>IFRIC 8</b>                                                                                    | Scope of PFRS 2                                                                                         |         |             |                |
| <b>IFRIC 9</b>                                                                                    | Reassessment of Embedded Derivatives                                                                    |         |             | ✓              |
|                                                                                                   | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives                        |         |             | ✓              |
|                                                                                                   | Amendments to IFRIC 9: Prepayment Features with Negative Compensation                                   |         |             | ✓              |
| <b>IFRIC 10</b>                                                                                   | Interim Financial Reporting and Impairment                                                              |         |             | ✓              |
| <b>IFRIC 11</b>                                                                                   | PFRS 2- Group and Treasury Share Transactions                                                           |         |             | ✓              |
| <b>IFRIC 12</b>                                                                                   | Service Concession Arrangements                                                                         |         |             | ✓              |
| <b>IFRIC 13</b>                                                                                   | Customer Loyalty Programmes                                                                             |         |             | ✓              |
| <b>IFRIC 14</b>                                                                                   | 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        |         |             | ✓              |
| <b>IFRIC 16</b>                                                                                   | Hedges of a Net Investment in a Foreign Operation                                                       |         |             | ✓              |
|                                                                                                   | Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments             |         |             | ✓              |
| <b>IFRIC 17</b>                                                                                   | Distributions of Non-cash Assets to Owners                                                              |         |             | ✓              |
| <b>IFRIC 18</b>                                                                                   | Transfers of Assets from Customers                                                                      |         |             | ✓              |
| <b>IFRIC 19</b>                                                                                   | Extinguishing Financial Liabilities with Equity Instruments                                             |         |             | ✓              |
| <b>IFRIC 20</b>                                                                                   | Stripping Costs in the Production Phase of a Surface Mine                                               |         |             | ✓              |
| <b>IFRIC 21</b>                                                                                   | Levies                                                                                                  |         |             | ✓              |
| <b>IFRIC 22</b>                                                                                   | Foreign Currency Transactions and Advance Consideration                                                 |         |             | ✓              |
| <b>IFRIC 23</b>                                                                                   | Uncertainty over Income Tax Treatments                                                                  |         |             | ✓              |
| <b>SIC-7</b>                                                                                      | Introduction of the Euro                                                                                |         |             | ✓              |
| <b>SIC-10</b>                                                                                     | Government Assistance - No Specific Relation to Operating Activities                                    |         |             | ✓              |
| <b>SIC-12</b>                                                                                     | Consolidation - Special Purpose Entities                                                                |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND<br>INTERPRETATIONS<br>Effective as of December 31, 2020 |                                                                                 | Adopted | Not<br>Adopted | Not<br>Applicable |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|---------|----------------|-------------------|
|                                                                                                      | Amendment to SIC - 12: Scope of SIC 12                                          |         |                | ✓                 |
| <b>SIC-13</b>                                                                                        | Jointly Controlled Entities - Non-Monetary Contributions<br>by Venturers        |         |                | ✓                 |
| <b>SIC-15</b>                                                                                        | Operating Leases - Incentives                                                   | ✓       |                |                   |
| <b>SIC-21</b>                                                                                        | Income Taxes - Recovery of Revalued Non-Depreciable<br>Assets                   |         |                | ✓                 |
| <b>SIC-25</b>                                                                                        | Income Taxes - Changes in the Tax Status of an Entity or<br>its Shareholders    |         |                | ✓                 |
| <b>SIC-27</b>                                                                                        | Evaluating the Substance of Transactions Involving the<br>Legal Form of a Lease | ✓       |                |                   |
| <b>SIC-29</b>                                                                                        | Service Concession Arrangements: Disclosures.                                   |         |                | ✓                 |
| <b>SIC-31</b>                                                                                        | Revenue - Barter Transactions Involving Advertising<br>Services                 |         |                | ✓                 |
| <b>SIC-32</b>                                                                                        | Intangible Assets - Web Site Costs                                              |         |                | ✓                 |

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

Supplementary Schedule on Financial Soundness Indicators

For the years ended December 31, 2020 and 2019

| Ratio                        | Formula                                                                                                            | 2020           | 2019    |
|------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------|---------|
| Current ratio                | Total Current Assets divided by Total Current Liabilities                                                          | <b>0.59</b>    | 1.64    |
|                              | Total Current Assets 664,957                                                                                       |                |         |
|                              | Divide by: Total Current Liabilities 1,122,966                                                                     |                |         |
|                              | Current ratio 0.59                                                                                                 |                |         |
| Acid test ratio              | Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities | <b>0.15</b>    | 0.24    |
|                              | Total Current Assets 664,957                                                                                       |                |         |
|                              | Less: Inventories -                                                                                                |                |         |
|                              | Prepayments and other current assets 499,057                                                                       |                |         |
|                              | Quick assets 165,900                                                                                               |                |         |
|                              | Divide by: Total Current Liabilities 1,122,966                                                                     |                |         |
|                              | Acid test ratio 0.15                                                                                               |                |         |
| Solvency ratio               | Net income (loss) after tax plus non-cash expenses divided by Total Liabilities                                    | <b>-0.01</b>   | -0.01   |
|                              | Net loss after tax (4,486,123)                                                                                     |                |         |
|                              | Add: Depreciation 175,074                                                                                          |                |         |
|                              | Net loss after tax but before depreciation (4,311,049)                                                             |                |         |
|                              | Divide by: Total Liabilities 400,072,289                                                                           |                |         |
|                              | Solvency ratio -0.01                                                                                               |                |         |
| Debt-to-equity ratio         | Total Liabilities divided by Total Equity                                                                          | <b>1.83</b>    | 0.83    |
|                              | Total Liabilities 400,072,289                                                                                      |                |         |
|                              | Divide by: Total Equity 218,498,229                                                                                |                |         |
|                              | Debt-to-equity ratio 1.83                                                                                          |                |         |
| Asset-to-equity ratio        | Total Assets divided by Total Equity                                                                               | <b>2.83</b>    | 1.83    |
|                              | Total Assets 617,447,552                                                                                           |                |         |
|                              | Divide by: Total Equity 218,498,229                                                                                |                |         |
|                              | Asset-to-equity ratio 2.83                                                                                         |                |         |
| Interest rate coverage ratio | Income (loss) before income tax divided by Interest Expense                                                        | <b>-760.97</b> | -568.53 |
|                              | Loss before income tax (4,839,018)                                                                                 |                |         |
|                              | Divide by: Interest expense 6,359                                                                                  |                |         |
|                              | Interest rate coverage ratio -760.97                                                                               |                |         |

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

Supplementary Schedule on Financial Soundness Indicators

For the years ended December 31, 2020 and 2019

| <b>Ratio</b>      | <b>Formula</b>                                      | <b>2020</b>  | <b>2019</b> |
|-------------------|-----------------------------------------------------|--------------|-------------|
| Return on equity  | Net income (loss) after tax divided by Total Equity | <b>-0.02</b> | -0.01       |
|                   | Net loss after tax (4,486,123)                      |              |             |
|                   | Divide by: Total Equity 218,498,229                 |              |             |
|                   | Return on equity -0.02                              |              |             |
| Return on assets  | Net income (loss) after tax divided by Total Assets | <b>-0.01</b> | -0.01       |
|                   | Net loss after tax (4,486,123)                      |              |             |
|                   | Divide by: Total Assets 617,447,552                 |              |             |
|                   | Return on assets -0.01                              |              |             |
| Net profit margin | Net income (loss) divided by Revenue                | <b>-</b>     | <b>-</b>    |
|                   | Net loss (4,486,123)                                |              |             |
|                   | Divided by: Revenue -                               |              |             |
|                   | Net profit margin -                                 |              |             |

# ***Metro Alliance Holdings and Equities Corporation***

Sustainability Reporting  
December 31, 2020

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

| Company Details                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Organization                                                         | <b>METRO ALLIANCE HOLDINGS AND EQUITIES CORP. (MAH)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Location of Headquarters                                                     | 35 <sup>th</sup> Flr. One Corporate Center, Dona Julia Vargas, cor Meralco Ave., Ortigas Center, Pasig City                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Location of Operations                                                       | PHILIPPINES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | Metro Combined Logistics Solutions, Inc. (MCLSI), Consumer Products Distribution Services, Inc (CDPSI), FEZ-EAC Holdings, Inc. (FEZ-EAC), Zuellig Distributors, Inc (ZDI) and Asia Healthcare, Inc. (AHI)                                                                                                                                                                                                                                                                                                                                                                                                |
| Business Model, including Primary Activities, Brands, Products, and Services | <b>MAH</b> - Engage in investing, purchasing and acquiring assets of any kind and description (no operation)<br><b>MCLSI</b> - Provide contract logistics and supply chain management services including third party warehousing and distribution, consultancy and project management, domestic freight forwarding services, and value- added services<br><b>CPDSI</b> - Distribution of Polypropylene (no operation)<br><b>FEZ-EAZ</b> - Trading and distribution (no operation)<br><b>ZDI</b> - Trading and distribution (no operation)<br><b>AHI</b> - Trading and pharmacy management (no operation) |
| Reporting Period                                                             | For the year ended 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Highest Ranking Person responsible for this report                           | Atty. Lamberto Mercado – Compliance Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Metro Alliance Holdings and Equities Corp and its subsidiaries (jointly referred to as Group), consider the materiality impact related to economic, environmental and social topics in submitting its Sustainability Report. The Company and its subsidiaries consider different aspects in evaluating the materiality such as company policies, laws and regulations of the local government and current issues in the economy.</p> <p>The Sustainability Accounting Standards Board (SASB) Map that the Company used was referenced in the SEC Memorandum Circular No. 4, Series of 2019 on the Sustainability Reporting Guidelines for Publicly Listed Companies.</p> <p>Per management assessment, the Company identified that the following matters as most likely to affect the economic, environmental and social impacts of the Company:</p> <ul style="list-style-type: none"> <li>A. Economic Impact – Economic Performance, Procurement Practices</li> <li>B. Environmental – Energy Management</li> <li>C. Social Impact – Employee Management, Supply Chain Management, Customer Management and Data Security</li> </ul> |

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.



## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

| Disclosure                                                                 | Amount      | Units |
|----------------------------------------------------------------------------|-------------|-------|
| Direct economic value generated (revenue)                                  | 273,670,106 | PhP   |
| Direct economic value distributed:                                         |             |       |
| a. Operating costs (including salaries, taxes and CSR)                     | 34,499,768  | PhP   |
| b. Employee wages and benefits                                             | 14,256,026  | PhP   |
| c. Payments to suppliers, other operating costs                            | 228,227,688 | PhP   |
| d. Dividends given to stockholders and interest payments to loan providers | 0           | PhP   |
| e. Taxes given to government                                               | 2,141,474   | PhP   |
| f. Investments to community (e.g. donations, CSR)                          | 491,000     | PhP   |

| What is the impact and where does it occur? What is the organization's involvement in the impact?                                                           | Which stakeholders are affected?            | Management Approach                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Only the subsidiary, MCLSI, generates income through its logistics and leasing out of warehouses. This subsidiary gives employment opportunities to people. | Management, directors and Employees         | Management and its directors are dedicated to provide financial support to the Group in order to meet its working capital requirements. |
| Procurement from local goods and services that is essential to the business.                                                                                | Suppliers and Government                    | The Company relies on its suppliers and service providers such as banks.                                                                |
| What are the Risk/s Identified?                                                                                                                             | Which stakeholders are affected?            | Management Approach                                                                                                                     |
| Availability of goods and services as certain skills and capabilities are required by the Group.                                                            | Service Providers/Suppliers, and Government | The Group commits to continuously pay government and suppliers on time to maintain good relationship and avoid penalties.               |
| What are the Opportunity/ies Identified?                                                                                                                    | Which stakeholders are affected?            | Management Approach                                                                                                                     |
| The Group is committed to support its customers by providing good services.                                                                                 | Customers                                   | The subsidiary, MCLSI, maintains good relationship with its customers in order to continuously generate profit.                         |

#### Climate-related risks and opportunities<sup>2</sup>

The Company has not yet implement certain metrics and targets to assess and manage the relevant climate-related risks and opportunity at this moment.

| Governance                                                                            | Strategy                                                                                                                                                                                                | Risk Management                                                                       | Metrics and Targets                                                                                                                            |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Disclose the organization's governance around climate-related risks and opportunities | Disclose the actual and potential impacts <sup>3</sup> of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material | Disclose how the organization identifies, assesses, and manages climate-related risks | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material |
| <b>Recommended Disclosures</b>                                                        |                                                                                                                                                                                                         |                                                                                       |                                                                                                                                                |

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

<sup>3</sup> For this disclosure, impact refers to the impact of climate-related issues on the company.

|                                                                                                 |                                                                                                                                                            |                                                                                                                                                         |                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| a) Describe the board's oversight of climate-related risks and opportunities                    | a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term                               | a) Describe the organization's processes for identifying and assessing climate-related risks                                                            | a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process |
| b) Describe management's role in assessing and managing climate-related risks and opportunities | b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.                       | b) Describe the organization's processes for managing climate-related risks                                                                             | b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets                       |
|                                                                                                 | c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management |                                                                                                                                                          |

## Procurement Practices

### Proportion of spending on local suppliers

| Disclosure                                                                                                     | Quantity | Units |
|----------------------------------------------------------------------------------------------------------------|----------|-------|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | 100      | %     |

| What is the impact and where does it occur? What is the organization's involvement in the impact?                | Which stakeholders are affected? | Management Approach                                                                                                 |
|------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Most of the budget of the Group was spent on local service providers and suppliers.                              | Service Providers, and Suppliers | The Group commits to continuously keep a good relationship with the stakeholders by paying its dues on time.        |
| What are the Risk/s Identified?                                                                                  | Which stakeholders are affected? | Management Approach                                                                                                 |
| The present service providers or suppliers may not be sufficient to meet the standard requirements of the Group. | Service Providers and Suppliers  | The Group may open doors to other service providers or suppliers that may give good quality of service or supplies. |
| What are the Opportunity/ies Identified?                                                                         | Which stakeholders are affected? | Management Approach                                                                                                 |
| The opportunity to use a wide range of local service provider or suppliers.                                      | Service Providers and Suppliers  | The Group may use other service providers/suppliers in the available market.                                        |

## Anti-corruption

|                                                          |
|----------------------------------------------------------|
| The Company has Anti-Corruption Policies and Procedures. |
|----------------------------------------------------------|

### Training on Anti-corruption Policies and Procedures

| Disclosure                                                                                                                   | Quantity | Units |
|------------------------------------------------------------------------------------------------------------------------------|----------|-------|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to         | 100      | %     |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100      | %     |
| Percentage of directors and management that have received anti-corruption training                                           | 100      | %     |
| Percentage of employees that have received anti-corruption training                                                          | 100      | %     |

|                                                                                                          |                                         |                            |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| The Group has no material impact at this moment under this category.                                     | Not Applicable                          | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable                          | Not Applicable             |

#### Incidents of Corruption

| <b>Disclosure</b>                                                                                        | <b>Quantity</b> | <b>Units</b> |
|----------------------------------------------------------------------------------------------------------|-----------------|--------------|
| Number of incidents in which directors were removed or disciplined for corruption                        | 0               | #            |
| Number of incidents in which employees were dismissed or disciplined for corruption                      | 0               | #            |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0               | #            |

|                                                                                                          |                                         |                            |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| The Group has no material impact at this moment under this category.                                     | Not Applicable                          | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable                          | Not Applicable             |

# ENVIRONMENT

## Resource Management

### Energy consumption within the organization:

The Group is developing certain metrics and targets to assess and manage environment-related risks and opportunities at the moment.

| Disclosure                             | Quantity | Units |
|----------------------------------------|----------|-------|
| Energy consumption (renewable sources) | 0        | GJ    |
| Energy consumption (gasoline)          | 0        | GJ    |
| Energy consumption (LPG)               | 0        | GJ    |
| Energy consumption (diesel)            | 0        | GJ    |
| Energy consumption (electricity)       | 92,232   | kWh   |

### Reduction of energy consumption

| Disclosure                                                         | Quantity | Units |
|--------------------------------------------------------------------|----------|-------|
| Energy reduction (gasoline)                                        | 0        | GJ    |
| Energy reduction (LPG)                                             | 0        | GJ    |
| Energy reduction (diesel)                                          | 0        | GJ    |
| Energy reduction (electricity) – reduction due to pandemic in 2020 | 12,768   | kWh   |
| Energy reduction (gasoline)                                        | 0        | GJ    |

| What is the impact and where does it occur? What is the organization's involvement in the impact?                                                                   | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| Because of the pandemic, the group reduced its consumption of electricity in both office and warehouse. But given that, there's no minimal effect on this category. | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                                                                                     | Which stakeholders are affected? | Management Approach |
| There's no risk/s identified at this moment for this category.                                                                                                      | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                                                                                                            | Which stakeholders are affected? | Management Approach |
| There's no opportunity/ies identified at this moment for this category.                                                                                             | Not Applicable                   | Not Applicable      |

### Water consumption within the organization

| Disclosure                | Quantity | Units        |
|---------------------------|----------|--------------|
| Water withdrawal          | 0        | Cubic meters |
| Water consumption         | 0        | Cubic meters |
| Water recycled and reused | 0        | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |

| What are the Risk/s Identified?                                         | Which stakeholders are affected? | Management Approach |
|-------------------------------------------------------------------------|----------------------------------|---------------------|
| There's no risk/s identified at this moment for this category.          | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                | Which stakeholders are affected? | Management Approach |
| There's no opportunity/ies identified at this moment for this category. | Not Applicable                   | Not Applicable      |

#### Materials used by the organization

| Disclosure                                                                                                  | Quantity | Units     |
|-------------------------------------------------------------------------------------------------------------|----------|-----------|
| Materials used by weight or volume                                                                          |          |           |
| • renewable                                                                                                 | 0        | kg/liters |
| • non-renewable                                                                                             | 0        | kg/liters |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | 0        | %         |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach |
| There's no risk/s identified at this moment for this category.                                    | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                                          | Which stakeholders are affected? | Management Approach |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                   | Not Applicable      |

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure                                                                                                                                | Quantity               | Units |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 0 (identify all sites) |       |
| Habitats protected or restored                                                                                                            | 0                      | ha    |
| IUCN <sup>4</sup> Red List species and national conservation list species with habitats in areas affected by operations                   | 0 (list)               |       |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach |
| There's no risk/s identified at this moment for this category.                                    | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                                          | Which stakeholders are affected? | Management Approach |

<sup>4</sup> International Union for Conservation of Nature

|                                                                         |                |                |
|-------------------------------------------------------------------------|----------------|----------------|
| There's no opportunity/ies identified at this moment for this category. | Not Applicable | Not Applicable |
|-------------------------------------------------------------------------|----------------|----------------|

## Environmental impact management

### Air Emissions

The Group is developing certain metrics and targets to assess and manage environment-related risks and opportunities at the moment.

### GHG

| Disclosure                                    | Quantity | Units                    |
|-----------------------------------------------|----------|--------------------------|
| Direct (Scope 1) GHG Emissions                | 0        | Tonnes CO <sub>2</sub> e |
| Energy indirect (Scope 2) GHG Emissions       | 0        | Tonnes CO <sub>2</sub> e |
| Emissions of ozone-depleting substances (ODS) | 0        | Tonnes                   |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach                              |
|---------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------|
| The subsidiary, MCLSI has delivery trucks for its logistic operations.                            | Clients                          | The Group keeps its trucks in running condition. |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach                              |
| Excess engine ignition                                                                            | Clients                          | Truck engines are serviced regularly.            |
| What are the Opportunity/ies Identified?                                                          | Which stakeholders are affected? | Management Approach                              |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                   | Not Applicable                                   |

### Air pollutants

| Disclosure                           | Quantity | Units |
|--------------------------------------|----------|-------|
| NO <sub>x</sub>                      | 0        | kg    |
| SO <sub>x</sub>                      | 0        | kg    |
| Persistent organic pollutants (POPs) | 0        | kg    |
| Volatile organic compounds (VOCs)    | 0        | kg    |
| Hazardous air pollutants (HAPs)      | 0        | kg    |
| Particulate matter (PM)              | 0        | kg    |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach |
| There's no risk/s identified at this moment for this category.                                    | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                                          | Which stakeholders are affected? | Management Approach |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                   | Not Applicable      |

## Solid and Hazardous Wastes

### Solid Waste

| Disclosure | Quantity | Units |
|------------|----------|-------|
|------------|----------|-------|

|                             |   |    |
|-----------------------------|---|----|
| Total solid waste generated | 0 | kg |
| Reusable                    | 0 | kg |
| Recyclable                  | 0 | kg |
| Composted                   | 0 | kg |
| Incinerated                 | 0 | kg |
| Residuals/Landfilled        | 0 | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach |
| There's no risk/s identified at this moment for this category.                                    | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                                          | Which stakeholders are affected? | Management Approach |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                   | Not Applicable      |

#### Hazardous Waste

| Disclosure                                  | Quantity | Units |
|---------------------------------------------|----------|-------|
| Total weight of hazardous waste generated   | 0        | kg    |
| Total weight of hazardous waste transported | 0        | kg    |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach |
| There's no risk/s identified at this moment for this category.                                    | Not Applicable                   | Not Applicable      |
| What are the Opportunity/ies Identified?                                                          | Which stakeholders are affected? | Management Approach |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                   | Not Applicable      |

#### Effluents

| Disclosure                       | Quantity | Units        |
|----------------------------------|----------|--------------|
| Total volume of water discharges | 0        | Cubic meters |
| Percent of wastewater recycled   | 0        | %            |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| The Group has no material impact at this moment under this category.                              | Not Applicable                   | Not Applicable      |
| What are the Risk/s Identified?                                                                   | Which stakeholders are affected? | Management Approach |

|                                                                         |                                         |                            |
|-------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| There's no risk/s identified at this moment for this category.          | Not Applicable                          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                         | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category. | Not Applicable                          | Not Applicable             |

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

| Disclosure                                                                                   | Quantity | Units |
|----------------------------------------------------------------------------------------------|----------|-------|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 0        | PhP   |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations  | 0        | #     |
| No. of cases resolved through dispute resolution mechanism                                   | 0        | #     |

|                                                                                                          |                                         |                            |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| The Group has no material impact at this moment under this category.                                     | Not Applicable                          | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable                          | Not Applicable             |



## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

| Disclosure                                         | Quantity | Units |
|----------------------------------------------------|----------|-------|
| Total number of employees <sup>5</sup>             |          |       |
| a. Number of female employees                      | 184      | #     |
| b. Number of male employees                        | 342      | #     |
| Attrition rate <sup>6</sup>                        | 10%      | rate  |
| Ratio of lowest paid employee against minimum wage | 0        | ratio |

##### Employee benefits

| List of Benefits                          | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|-------------------------------------------|-----|------------------------------------------------|----------------------------------------------|
| SSS                                       | Y   | 100%                                           | 100%                                         |
| PhilHealth                                | Y   | 100%                                           | 100%                                         |
| Pag-ibig                                  | Y   | 100%                                           | 100%                                         |
| Parental leaves                           | Y   | 0.02%                                          | 0.01%                                        |
| Vacation leaves                           | Y   | 89%                                            | 81%                                          |
| Sick leaves                               | Y   | 92%                                            | 81%                                          |
| Medical benefits (aside from PhilHealth)) | Y   | 74%                                            | 66%                                          |
| Housing assistance (aside from Pag-ibig)  | N   | 0                                              | 0                                            |
| Retirement fund (aside from SSS)          | Y   | 0                                              | 0.002%                                       |
| Further education support                 | N   | 0                                              | 0                                            |
| Company stock options                     | N   | 0                                              | 0                                            |
| Telecommuting                             | N   | 0                                              | 0                                            |
| Flexible-working Hours                    | Y   | 40%                                            | 55%                                          |
| (Others)                                  |     |                                                |                                              |

| What is the impact and where does it occur? What is the organization's involvement in the impact?                     | Management Approach                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| The Group ensures that the above benefits are fully complies with for the motivation and efficiency of the employees. | All government required wages and benefits are strictly complied with by the Group.                                   |
| What are the Risk/s Identified?                                                                                       | Management Approach                                                                                                   |
| Employees become inefficient if the Group will not complied with the benefits.                                        | Non-compliance by the Group to the mandated law may result in inefficiencies of work and penalties by the government. |
| What are the Opportunity/ies Identified?                                                                              | Management Approach                                                                                                   |
| Giving these benefits would result to work-life balance, motivation and quality of work of employees                  | Employee satisfaction does not only lead to employee retention but also increased in production of employees.         |

#### Employee Training and Development

| Disclosure                                   | Quantity | Units          |
|----------------------------------------------|----------|----------------|
| Total training hours provided to employees   |          |                |
| a. Female employees                          | 16       | hours          |
| b. Male employees                            | 16       | hours          |
| Average training hours provided to employees |          |                |
| a. Female employees                          | 4        | hours/employee |

<sup>5</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>6</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

|                   |   |                |
|-------------------|---|----------------|
| b. Male employees | 4 | hours/employee |
|-------------------|---|----------------|

|                                                                                                                     |                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>            | <b>Management Approach</b>                                                                                                                                                      |
| This improves the overall competence of the employees including the skills necessary for their jobs.                | These are external trainings provided by the Group like government seminars.                                                                                                    |
| <b>What are the Risk/s Identified?</b>                                                                              | <b>Management Approach</b>                                                                                                                                                      |
| Continuous training of employees maybe risky as this may lead to increase in attrition rate.                        | The Group ensure that competent employees will have a thorough performance evaluation and feedback, where promotion and increase remuneration are considered for the employees. |
| <b>What are the Opportunity/ies Identified?</b>                                                                     | <b>Management Approach</b>                                                                                                                                                      |
| Standard trainings will continuously improve the employee's job and will contribute a quality result for the Group. | This will allow the Group to be competitive within the industry.                                                                                                                |

#### Labor-Management Relations

| Disclosure                                                                            | Quantity | Units |
|---------------------------------------------------------------------------------------|----------|-------|
| % of employees covered with Collective Bargaining Agreements                          | 0        | %     |
| Number of consultations conducted with employees concerning employee-related policies | 35       | #     |

|                                                                                                          |                            |
|----------------------------------------------------------------------------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Management Approach</b> |
| The Company has no material impact at this moment under this category.                                   | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable             |

#### Diversity and Equal Opportunity

| Disclosure                                                                | Quantity | Units |
|---------------------------------------------------------------------------|----------|-------|
| % of female workers in the workforce                                      | 34%      | %     |
| % of male workers in the workforce                                        | 66%      | %     |
| Number of employees from indigenous communities and/or vulnerable sector* | 0        | #     |

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

|                                                                                                          |                            |
|----------------------------------------------------------------------------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Management Approach</b> |
| The Company has no material impact at this moment under this category.                                   | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable             |

#### Workplace Conditions, Labor Standards, and Human Rights

##### Occupational Health and Safety

| Disclosure | Quantity | Units |
|------------|----------|-------|
|------------|----------|-------|

|                                |                       |           |
|--------------------------------|-----------------------|-----------|
| Safe Man-Hours                 | Average of 12 hrs/day | Man-hours |
| No. of work-related injuries   | 0                     | #         |
| No. of work-related fatalities | 0                     | #         |
| No. of work related ill-health | 0                     | #         |
| No. of safety drills           | 2                     | #         |

|                                                                                                          |                                                                               |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Management Approach</b>                                                    |
| This impact is on the health and safety of employees due to ongoing delivery operations.                 | The Group ensures that there should be proper dispatch and truck maintenance. |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Management Approach</b>                                                    |
| The risk is seen when there's vehicle accidents.                                                         | The Group ensures that trucks are properly insured.                           |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Management Approach</b>                                                    |
| Having a safe workplace and guidelines may avoid unfortunate incidents within the Company.               | As an added security, employees is given health benefits.                     |

#### Labor Laws and Human Rights

|                                                                             |                 |              |
|-----------------------------------------------------------------------------|-----------------|--------------|
| <b>Disclosure</b>                                                           | <b>Quantity</b> | <b>Units</b> |
| No. of legal actions or employee grievances involving forced or child labor | 0               | #            |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

|              |            |                                                                                      |
|--------------|------------|--------------------------------------------------------------------------------------|
| <b>Topic</b> | <b>Y/N</b> | <b>If Yes, cite reference in the company policy</b>                                  |
| Forced labor | Y          | Policy on Safety                                                                     |
| Child labor  | Y          | Policy on Safety                                                                     |
| Human Rights | Y          | Policy on Safety, Data Privacy Policy, Anti-Sexual Harassment and Code of discipline |

|                                                                                                                      |                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>             | <b>Management Approach</b>                                                                                                             |
| The impact is in the welfare of the employees. The Group provide safety nest to ensure that employees are protected. | The Group Policy sets in the Employee Handbook provides in detail what are the rights of the employees whilst employed by the Company. |
| <b>What are the Risk/s Identified?</b>                                                                               | <b>Management Approach</b>                                                                                                             |
| The risk is the possibility of aired grievances and lawsuits of employees.                                           | Management provides for a process to ensure that rights of employees are protected.                                                    |
| <b>What are the Opportunity/ies Identified?</b>                                                                      | <b>Management Approach</b>                                                                                                             |
| If the policies are faithfully followed, a harmonious work environment can be achieved.                              | Consultation with legal counsel is always done before performing any activities that will affect employee welfare.                     |

#### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

|                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Suppliers and service providers are primarily evaluated bases on the quality, timeliness and costing they offer. However, management reserves the right to terminate a supply relationship if there are proven accusations of material wrong-doing on the part of the suppliers or service providers (e.g. non-compliance with government laws and regulations) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Do you consider the following sustainability topics when accrediting suppliers?

|                           |            |                                                      |
|---------------------------|------------|------------------------------------------------------|
| <b>Topic</b>              | <b>Y/N</b> | <b>If Yes, cite reference in the supplier policy</b> |
| Environmental performance | Y          |                                                      |
| Forced labor              | Y          |                                                      |

|                        |   |  |
|------------------------|---|--|
| Child labor            | Y |  |
| Human rights           | Y |  |
| Bribery and corruption | Y |  |

|                                                                                                          |                                                                                           |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Management Approach</b>                                                                |
| The impact is on the service providers/suppliers' quality and efficient services required by the Group   | All services and purchases by the Group are carefully evaluated and approved by officers. |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Management Approach</b>                                                                |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable                                                                            |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Management Approach</b>                                                                |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable                                                                            |

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location       | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Not material to the company                                                                                                                | Not Applicable | Not Applicable                     | Not Applicable                                                         | Not Applicable                                                                                         | Not Applicable                                                          |

\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_ - \_\_\_\_\_

| Certificates                     | Quantity | Units |
|----------------------------------|----------|-------|
| FPIC process is still undergoing | 0        | #     |
| CP secured                       | 0        | #     |

|                                                                         |                            |
|-------------------------------------------------------------------------|----------------------------|
| <b>What are the Risk/s Identified?</b>                                  | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                         | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category. | Not Applicable             |

## Customer Management

### Customer Satisfaction

| Disclosure            | Score          | Did a third party conduct the customer satisfaction study (Y/N)? |
|-----------------------|----------------|------------------------------------------------------------------|
| Customer satisfaction | Not Applicable | N                                                                |

|                                                                                                          |                            |
|----------------------------------------------------------------------------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Management Approach</b> |
|----------------------------------------------------------------------------------------------------------|----------------------------|

|                                                                                         |                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The impact is on the customer's satisfaction that the Group delivers.                   | The management ensure that they employed skilled workers so that they deliver its service to its lessee's in a satisfactory manner and less customer complaints. |
| <b>What are the Risk/s Identified?</b>                                                  | <b>Management Approach</b>                                                                                                                                       |
| Poor service may lead to customer's complaints and may terminate contracts              | The Group is open in any complaints from customers. This will also help improve its service to its customers.                                                    |
| <b>What are the Opportunity/ies Identified?</b>                                         | <b>Management Approach</b>                                                                                                                                       |
| Satisfaction of customers may increase sales to the Group through renewal of contracts. | The Group continuously improve its good relationship with its customer.                                                                                          |

#### Health and Safety

| Disclosure                                                               | Quantity | Units |
|--------------------------------------------------------------------------|----------|-------|
| No. of substantiated complaints on product or service health and safety* | 0        | 0     |
| No. of complaints addressed                                              | 0        | 0     |

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

|                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>                                                               | <b>Management Approach</b>                                                                                                                                                                                                                                                                                            |
| This impact is on the health and safety of employees due to ongoing delivery operations.<br><br>Health and safety of the customers are always considered by the Group. | The Group ensures that there should be proper dispatch and truck maintenance.<br><br>The Group ascertains its compliance with safety parameters mandated by the government by planning and designing all deliverables within the set standards of the applicable rules and regulations, especially under ECQ and GCQ. |
| <b>What are the Risk/s Identified?</b>                                                                                                                                 | <b>Management Approach</b>                                                                                                                                                                                                                                                                                            |
| The risk is seen when there's vehicle accidents.                                                                                                                       | The Group ensures that trucks are properly insured.                                                                                                                                                                                                                                                                   |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                        | <b>Management Approach</b>                                                                                                                                                                                                                                                                                            |
| Having a safe workplace and guidelines may avoid unfortunate incidents within the Company.                                                                             | As an added security, employees is given health benefits.                                                                                                                                                                                                                                                             |

#### Marketing and labelling

| Disclosure                                                  | Quantity | Units |
|-------------------------------------------------------------|----------|-------|
| No. of substantiated complaints on marketing and labelling* | 0        | 0     |
| No. of complaints addressed                                 | 0        | 0     |

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

|                                                                                                          |                            |
|----------------------------------------------------------------------------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> | <b>Management Approach</b> |
| The Group has no material impact at this moment under this category.                                     | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Management Approach</b> |
| There's no risk/s identified at this moment for this category.                                           | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Management Approach</b> |
| There's no opportunity/ies identified at this moment for this category.                                  | Not Applicable             |

### Customer privacy

| Disclosure                                                                                   | Quantity | Units |
|----------------------------------------------------------------------------------------------|----------|-------|
| No. of substantiated complaints on customer privacy*                                         | 0        | #     |
| No. of complaints addressed                                                                  | 0        | #     |
| No. of customers, users and account holders whose information is used for secondary purposes | 0        | #     |

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach                                                                                                    |
|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| This impacts is on the confidentiality of customers information.                                  | Management follows a set of strict procedures that safeguards the information provided by customers.                   |
| What are the Risk/s Identified?                                                                   | Management Approach                                                                                                    |
| The risk is the customer information might get leaked.                                            | Management has provided both manual and technological safety nets to protect customer information from getting leaked. |
| What are the Opportunity/ies Identified?                                                          | Management Approach                                                                                                    |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                                                                                                         |

### Data Security

|                                                                 |
|-----------------------------------------------------------------|
| The Company h already implemented the Data Privacy Act of 2012. |
|-----------------------------------------------------------------|

| Disclosure                                                       | Quantity | Units |
|------------------------------------------------------------------|----------|-------|
| No. of data breaches, including leaks, thefts and losses of data | 0        | #     |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The proper implementation of the Data Privacy Act of 2012 has been put into measures.             | All information of any stakeholders are confidentially kept by the company. Any disclosures that the Company may make, will only be done within the Data Privacy Act. |
| What are the Risk/s Identified?                                                                   | Management Approach                                                                                                                                                   |
| There's no risk/s identified at this moment for this category.                                    | Not Applicable                                                                                                                                                        |
| What are the Opportunity/ies Identified?                                                          | Management Approach                                                                                                                                                   |
| There's no opportunity/ies identified at this moment for this category.                           | Not Applicable                                                                                                                                                        |

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services           | Societal Value / Contribution to UN SDGs    | Potential Negative Impact of Contribution                              | Management Approach to Negative Impact                                                                                  |
|-------------------------------------|---------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Logistics and Leasing of Warehouses | Contributes decent work and economic growth | Lack of available job opportunities offered to the vulnerable sectors. | Management can assess procedures and existing policies to find more opportunities to provide for the vulnerable sector. |
|                                     |                                             |                                                                        |                                                                                                                         |
|                                     |                                             |                                                                        |                                                                                                                         |

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*