

Certification

I, Annabelle T. Abunda, Finance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Amended Annual Report 2021 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 OCT 28 2022 day of _____, 2022.



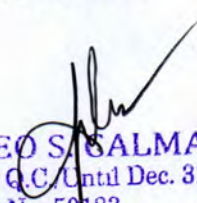
Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this OCT 28 2022 day of _____, 2022.

NOTARY PUBLIC

Doc No. 268
Page No. 52
Book No. LXXVIII
Series of 2022


ATTY. ELISEO S. SALMA, JR.
Notary Public for Q.C. Until Dec. 31, 2023
Roll No. 50183

PTR No. 2454359D/Jan. 03, 2022/Q.C.

IBP No. 183888, Jan. 31, 2022

MCLE COMP. NO. VII-0006924

Adm Matter No. NP-062(2022-2023)

20 Kamagong St., Sapamanai Vill. East Fairview Q.C.

TIN No. 138-541-197-000

COVER SHEET

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SEC Registration No.

M E T R O A L L I A N C E H O L D I N G S & E Q U I T I E S C O R P . & S U B S I D I A R I E S

(Company's Full Name)

3 5 T H F L R . O N E C O R P O R A T E C E N T R E

D O Ñ A J U L I A V A R G A S C O R . M E R A L C O

A V E S . O R T I G A S C E N T E R P A S I G C I T Y

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

Atty. Nestor S. Romulo

Contact Person

(632) 8706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

1 7 - A A M E N D E D

FORM TYPE

Any day in May

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

789

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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, 2021**

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. **35th 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 and Amount of Debt Outstanding
Common – Class A	183,673,470
Common – Class B	122,448,979
Debt outstanding	753,946,153

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:

Philippine Stock Exchange

Common – Class A

Common – Class 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: **Php 91,265,928**

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 2021 is as follows:

PRINCIPAL	SERVICE INCOME	% to TOTAL
Zuellig Pharma Corp.	62,915,740.43	21.44%
Actimed Inc	15,149,083.47	5.16%
Johnson & Johnson (Phils.), Inc.	21,841,830.34	7.44%
Nutri Asia, Inc	63,099,607.11	21.50%
Beko	5,656,325.53	1.93%
Zuellig Pharma Corp. - Canlubang	21,411,999.57	7.30%
Interphil Laboratories Inc	10,785,115.59	3.68%
EL Laboratories Inc	5,795,416.15	1.97%
Philippine Gadgets & Accessories Inc	8,920,355.52	3.04%
SC Johnson	7,109,680.60	2.42%
3M Philippines Inc	4,199,847.00	1.43%
Brenntag Ingredients, Inc	3,788,261.20	1.29%
Bon Flex Packaging	3,052,047.58	1.04%
Alaska Milk Corporation	1,907,833.93	0.65%
Miles and Levels Philippines Inc	1,611,925.50	0.55%
Others	56,217,559.48	19.16%
TOTAL	293,462,629.00	100%

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:**Metro Alliance**

Metro Alliance has no full-time employees in the company.

MCLSI

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	539	24	7	570
Administrative	16	3	4	23
Total	555	27	11	593

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 of changes in market interest rates relates primarily to the Group's long-term debt. As of December 31, 2021 and 2020, the Group has no significant interest rate risk exposures since the interest rates are fixed up to the date of maturity.

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

MCLSI

MCLSI entered into several lease agreements covering its office premises and warehouses. The terms of the lease agreements range from 1 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 2021, MCLSI entered into lease agreements with terms of 2 years ending October 11, 2023 and November 2, 2023, all under renewable options.

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

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

On September 14, 2005, the 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, 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.

As of December 31, 2021, this is awaiting the decision of the court.

- (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.

As of December 31, 2021, this is still awaiting the decision of the court.

- (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.

As of date, the case was referred to the Philippine Mediation Center for possible settlement discussion

- (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:

		Class A		Class B	
		High	Low	High	Low
2021	First Quarter	4.08	1.84	4.08	1.84
	Second Quarter	2.64	2.04	2.64	2.04
	Third Quarter	2.36	1.40	2.36	1.40
	Fourth Quarter	1.75	1.02	1.75	1.02
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

The high, low and close market prices are ₱0.95, ₱0.94 and ₱0.95 per share as of May 11, 2022 (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, 2021, there are 607 holders of Class “A” shares and 388 holders of Class “B” shares.

Top 20 Stockholders As of December 31, 2021

	Stockholder's Name	Number of Shares		% to
		Class A	Class B	Total
1	PCD NOMINEE CORPORATION (FILIPINO)	43,096,501	30,708,833	24.110
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)		1,494,911	1.488
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 previous management letter, the Company cited several factors that brought about positive developments for the Company. The management summarized the projected plans.

Projected Plan for next 12 months

The Parent Company still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2021. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. This, coupled with the perceived inability of the Company's Iranian partners to manage the business properly, has resulted in the closure of the Company's Bataan polyethylene plant. In order to protect Company's interest, the Company have filed legal suits against the partners in NPCAC in order to establish full accountability. Among the other options presented to the Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. This proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA. Under the oversight of the Regional Trial Court, the Company have opted to discuss the options with the Iranians via the mediation and judicial arbitration processes, and the Company is still hopeful that the parties can arrive at a quick and acceptable solution to the matter at the soonest time.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), has steadily grown with additional business from its existing principals. The pandemic, however, has forced the Company to reevaluate its operational costs in order to remain competitive in the logistics industry. As a means of diversification, 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 devoted to regain its status as a going concern. In line with this, the Company reiterate several actions that were mentioned 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 2021.

While the COVID-19 Omicron variant and the limited worldwide mobility have created a painful 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 ₱347,720,000 as of December 31, 2021

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

In 2021, provision for estimated credit losses amounting to ₱225 million was recognized in compliance with the requirements of PFRS 9.

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 ₱175.3 million in 2021 as against net loss of ₱4.8 million in 2020 and net loss of ₱4.1 million in 2019, respectively. Increase in Net loss in 2021 as compared in 2020 is mainly attributable to the recognition of provision for estimated credit losses, as required under PFRS 9 amounting to ₱225 million, increase in taxes and licenses amounting by ₱2 million, decrease in salaries by ₱0.4 million and decrease in miscellaneous by ₱0.5 million.

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

Performance indicator	December 31		
	2021	2020	2019
Earnings (loss) per share (in Php)	(0.57)	(0.02)	(0.01)
Return (loss) on average equity	(1.34)	(0.02)	(0.01)
Debt to total assets ratio	0.90	0.65	0.45
Debt to equity ratio	9.25	1.83	0.83

MCLSI

1. Profitability

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

2. Liquidity ratios

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

MCLSI's profitability is more favorable in 2021 as compared to 2020 and 2019. 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		
	2021	2020	2019
<u>Profitability</u>			
a. Gross profit margin	0.168	0.153	0.183
b. Net profit margin	0.06	0.03	0.056
c. Return on assets	0.06	0.59	0.069
d. Return in equity	0.144	0.187	0.200
<u>Liquidity</u>			
a. Current ratio	1.868	1.691	1.861
b. Receivables turnover	2.17	2.27	3.114
c. Days' sales in receivables	168	161	123

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, 2021, 2020 and 2019:

Balance Sheet	As of December 31 (In Php'000)		
	2021	2020	2019
Current assets	₱236,016	₱227,344	₱200,345
Noncurrent assets	506,942	687,440	482,881
Total Assets	742,958	914,784	683,226

Current liabilities	320,565	332,006	359,230
Noncurrent liabilities	433,381	435,146	180,833
Total Liabilities	753,946	767,152	540,063
Stockholder's Equity	(10,988)	147,632	143,163
Total Liabilities and Stockholder's Equity	₱742,958	₱914,784	₱683,226

Income Statement	As of December 31 (In Php'000)		
	2021	2020	2019
Sales and services	₱293,463	₱273,670	₱318,405
Cost of sales and services	(241,599)	(228,228)	(260,127)
Gross profit	51,864	45,442	58,278
Finance income	71	164	229
Finance costs	(2,630)	(3,505)	(2,727)
Other income	2,152	1,655	362
General and administrative expenses	(259,364)	(34,500)	(33,908)
Net income before tax	(207,907)	9,256	22,234
Income tax – Current	(4,947)	(4,646)	(7,861)
Deferred	55,956	147	795
Net income (loss) after tax	(156,898)	4,758	15,168
Net income (loss) attributable to:			
Equity Holders of the Parent Company	(165,082)	204	6,431
Non-controlling interest	8,184	4,534	8,738
	(156,898)	4,758	15,168
Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.539	₱0.001	₱0.021

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 loss of ₱156.9 million in 2021 as against net income of ₱4.8 million in 2020 and ₱15.2 million in 2019. Decrease in 2021 by ₱161.7 million or 3,614% as compared to last year due to the recognition of provision for estimated credit losses which is required by PFRS 9. Earnings (loss) per share for 2021, 2020 and 2019 for equity holders of the Parent Company are (₱0.539), ₱0.001 and ₱0.021, 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 ₱293.5 million, ₱273.7 million and ₱318.4 million for the years ended December 31, 2021, 2020 and 2019, respectively, with an increase in revenue by ₱19.8 million or 7.23%.

Cost of Sales and Services

Total cost of sales and services for the years 2021, 2020 and 2019 amounted to ₱241.6 million, ₱228.2 million and ₱260.1 million, respectively. An increase by ₱13.4 million or 5.86% was mainly attributable to net effect of the following: increase of personnel cost by ₱14.1 million, increase in rent and utilities expense by ₱7.2 million, decrease in transportation expenses by ₱2.1 million, increase in depreciation by ₱1.6 million, increase of security services by ₱0.1 million, increase in outside services by ₱2.2 million, increase in repair and maintenance by ₱1.2 million and decrease in other expenses ₱14.6 million.

Finance and Other Income, Net

Net of finance income/(loss) and other income/(loss) for the years 2021, 2020 and 2019 amounted to (₱0.4 million), (₱1.7 million) and (₱2.7 million), respectively. Decrease of finance loss in 2021 by ₱1.3 million 75.90% was due to the following; decrease in interest income from banks by ₱0.1 million, decrease in interest expense pertaining to lease liability by ₱0.9 million and increase in other income amounted to ₱0.5 million.

General Administrative Expense

General Administrative expenses for the years 2021, 2020 and 2019 amounted to ₱259.4 million, ₱34.5 million and ₱33.9 million, respectively. Increase in expenses in 2021 was mainly attributable to the following net effect; increase in provision for credit losses by ₱223 million or 14,688%, increase in personnel costs by ₱0.2 million or 1.85%, increase in communication and supplies by ₱4.3 million or 2,378%, increase in taxes and licenses by ₱1.7 million or 78.11%, increase in professional fees by ₱0.4 million or 14.98%, increase in depreciation by ₱1.0 million or 65.83%, decrease in provision for impairment by ₱1.4 million or 95.19% and decrease in remaining expenses by ₱7.5 million or 70.09%.

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 2021 and 2020 amounted to ₱40.4 million and ₱33.1 million, respectively. Increase by ₱7.3 million or 22.17% in 2020 is net effect of net cash flows from operating activities amounting ₱49.1 million, net cash flows from investing activities of (₱7.7 million) and net cash flows for financing activities of (₱34.0) million.

Receivables amounted to ₱177.4 million in 2021 and ₱169.6 million in 2020 (net of allowance for doubtful accounts of ₱149.0 million and ₱150.5 million as of December 31, 2021 and 2020, respectively). Net trade and other receivables increase by ₱7.9 million or 4.63%. Other receivables pertain to advances subject for liquidation.

Other current assets amounted to ₱18.1 million in 2021 and ₱24.7 million in 2020 (net of allowance for probable losses of ₱14.3 million and ₱14.3 million for 2021 and 2020, respectively). Decrease by ₱6.5 million or 26.44% was mostly due to the increase in creditable withholding taxes by ₱4.5 million, increase in input taxes by ₱0.7 million and decrease in prepayments ₱11.7 million

In 2021 and 2020, the account was reclassified from *Asset held for sale* to *Advances to Related Parties - Polymax* due to its nature of account. Total amount of *Advances to Related Parties - Polymax* is ₱347,7

million (net of allowance of credit losses of ₱224.5 million) and ₱577.1 million for years ended December 31, 2021 and 2020 (which constitute 47% and 63% of the Group's total assets as of December 31, 2021 and 2020, respectively). In 2021, provision for estimated credit loss on Advances to Polymax was recognized in compliance with the requirements of PFRS 9. This 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 ₱11,369,681 and ₱57,371,345 in 2021 and 2020, respectively.

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱19.2 million in 2021, ₱20.9 million in 2020 and ₱21.2 million in 2019. 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 ₱2.9 million and ₱4.7 million as of December 31, 2021 and 2020, respectively.

Property, plant and equipment-net amounted to ₱67.5 million and ₱72.1 million in 2021 and 2020, respectively with a decrease in property, plant and equipment by ₱4.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2021 and 2020. In 2021 and 2020, 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 2021 and 2020 amounted to ₱11.0 million and ₱11.7 million, respectively. Decrease by ₱0.7 million or 5.96% is due to the decrease 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 2021 and 2020 amounted to ₱288.3 million and ₱291.6 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 decrease for year 2021 by ₱3.3 million or 0.80% is attributable to decrease in trade payables by ₱7.0 million and increase in other current liabilities by ₱4.0 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 ₱31.5 million and ₱34.1 million in years 2021 and 2020, respectively. Noncurrent portion of Lease liability amounted to ₱24.5 million and ₱34.8 million in years 2021 and 2020.

Due to related parties - current for the years 2021 and 2020 amounted to ₱0.7 million and ₱6.3 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 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 2021 and 2020 amounted to ₱274.8 million and ₱268.3 million, respectively. In 2020, The Group issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of ₱263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026. The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. In 2021 and 2020, interest incurred amounted to ₱5,260,007

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 ₱10.7 million and ₱8.6 million as of December 31, 2021 and 2020. 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.

Cumulative Deficit is an account that consists of cumulative balance of periodic earnings and prior period adjustments, if any. In 2021, the Group recognized provision for estimated credit losses of ₱224.5 million on advances to a related party which contributes to the material losses for the year. The provision is in compliance with the requirements of PFRS 9.

(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, 2021 and 2020, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱347.7 million and ₱577.1 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, 2021 and 2020, 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.

Asset held for sale was reclassified to its correct account which is Advances to Related Parties amounting to ₱347.7 million (net of allowance of credit losses of ₱224.5 million) and ₱577.1 million for years ended December 31, 2021 and 2020 (which constitute 47% and 63% of the Group's total assets as of December 31, 2021 and 2020, 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).

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, AHI, 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 (loss) of (₱158.6 million) in 2021 as against net income of ₱4.5 million in 2020 and ₱15.2 million in 2019. The reported net loss in 2021 was due to recognition of provision for estimated credit losses which is required by PFRS 9. Earnings (loss) per share for 2021, 2020 and 2019 for equity holders of the Parent Company are (₱0.539), ₱0.001 and ₱0.021, respectively. MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱293.5 million, ₱273.7 million and ₱318.4 million for the years ended December 31, 2021, 2020 and 2019, with an increase in revenue by ₱19.8 million or 7.23%.

(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).

In 2021, the Group recognized Provision of Estimated Credit Losses which was a requirement in PFRS 9.

Effect of the Reissuance of the Audited Financial Statements

The Group's cash flow statement for the years ended December 31, 2021, 2020 and 2019 were adjusted to correct the presentation of non-cash additions on the Right-of-use asset account in the "Acquisition of the property and equipment" under Investing Activities, and the payments made on Lease liability in the "Payments of lease liability" Under Financing Activities. See Note 33 of the Financial Statements.

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 2021 and ₱406,560 for the year 2020 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:

Name	Age	Citizenship	Position and Office	Yrs of Service
Elvira A. Ting	61	Filipino	Chairman of the Board/Director	2019-Present
Kenneth T. Gatchalian	46	Filipino	President/Director	2019-Present
Lamberto B. Mercado, Jr.	57	Filipino	Compliance Officer/Director	2003-Present
Aristeo R. Cruz	55	Filipino	Independent Director	2015-Present
Reno I. Magadia	52	Filipino	Director	2009-Present
Nestor S. Romulo	77	Filipino	Corporate Secretary/Director	2010-Present
Byoung Hyun Suh	65	Korean	Independent Director	2016-Present
Richard L. Ricardo	58	Filipino	VP for External Affairs / Corporate Treasurer	2014-Present 2021-Present
Annabelle T. Abunda	45	Filipino	Finance Officer	2014-Present

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

	Company	Position
Elvira A. Ting Chairman Filipino 61 years old BS in Business Administration Major in Management <i>Philippine School of Business Administration</i>	Forum Pacific, Inc. Philippine Estates Corp. Waterfront Philippines, Inc. Wellex Industries, Inc. Acesite (Phils.) Hotel Corp. Orient Pacific Corp. Crisanta Realty Dev't. Corp. Recovery Dev't Corp. The Wellex Group, Inc. Plastic City Industrial Corp. Waterfront Manila Premier Dev't, Inc. Rexlon Realty Group, Inc. Pacific Rehouse Corp. Westland Pacific Properties Corp. Heritage Pacific Corp. Palawan Estate Corp. Poly Premier Property Dev't Corp. Wanda Prime Property Dev't, Inc. Bocaue Prime Estate Corp. Bulacan Fortune Land Dev't Corp. Taguig Lake City Dev't Corp. Country Garden Agri-Tourism Dev't, Inc. Alliance Energy Power & Dev't Corp. North Luzon Premier Dev't Corp. Shangrila Global Estate Ventures Corp. Aristocrat Manila City Holdings, Inc. Seabrook Resources & Dev't, Corp.	President/Director President/Director Corp. Treasurer/Director Vice President/Director Corp. Treasurer/Director Chairman/Director Chairman/President/Director Corp. Treasurer/Director Corp. Treasurer/Director Corp. Treasurer/Director Corp. Secretary/Director Chairman/President/Director Corp. Treasurer/Director Asst. Corp. Sec./Director Chairman/President/Director Asst. Corp. Sec./Director Corp. Treasurer/Director President/ Director President/ Director Chairman/President/Director President/ Director Corp. Treasurer/Director Corp. Secretary/Director President/ Director Chairman/Director President/Director Corp. Treasurer/Director
Kenneth T. Gatchalian President/Director Filipino 46 years old B.S. in Architecture	Forum Pacific, Inc. The Wellex Group, Inc. Wellex Industries, Inc. Waterfront Phils., Inc.	Corp. Treasurer/ Director President/Director President/Director President/Director

<p><i>University of Texas, USA</i></p>	<p>Waterfront Manila Premier Dev,t., Inc. Acesite (Phils.) Hotels Corp. Philippine Estates Corp. Orient Pacific Corp. Wellex Mining Corp. Westland Pacific Properties Corp. Wellex Petroleum, Inc. Recovery Dev't. Corp. Novateknika Land Corp. Pacific Rehouse Corp. Crisanta Realty Dev't. Corp. Palawan Estate Corp. Philippine International Airways Philfoods Asia, Inc. Southernpec Phils., Inc. Manila Bay Front Hotels, Inc. Poly Premier Property Dev't. Corp. Wanda Prime Property Dev't., Inc. North Luzon Premier Dev't. Corp. Pacific Concorde Corp Forum Holdings Corp Rexlon Realty Group, Inc. Heritage Pacific Corp. Seabrook Resources & Dev't. Corp. Recovery Real Estate Corp. Shanghai Global Estate Ventures Corp. Altai Philippines Mining Corp. Bulacan Harbour Dev't. Corp. Bulacan Country Garden Dev't. Corp.</p>	<p>President/Director President/Director Vice Chairman/Director President/Director Chairman/President/Director Corp. Treasurer/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Corp. Secretary/Director Chairman/President/Director Corp. Treasurer/Director Chairman/Director President/Director Chairman/Director Chairman/Director Chairman/Director Chairman/President/Director Corp. Secretary/Director Asst. Corp. Sec./Director Chairman/President/Director Chairman/President/Director President/Director Director Asst. Corp. Sec./Director Chairman/President/Director</p>
<p>Atty. Lamberto B. Mercado, Jr. Director/Compliance Officer Filipino 57 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University</i> School of Law</p>	<p>Forum Pacific, Inc. CPDSI, AHI and FEZ Wellex Industries, Inc. Acesite (Phils.) Hotels Corp. Philippine National Construction Corp. Rexlon Realty Group, Inc. Wellex Mining Corp. Southernpec Phils., Inc. Dubai Gold Mining Corp. Sands Mining & Dev't. Corp. Bulacan Harbour Dev't. Corp. Wanda Prime Property Dev't., Inc. Seabrook Resources & Dev't. Corp. Country Garden Agri-Tourism Dev't., Inc. Bulacan Country Garden Dev't. Corp.</p>	<p>Director Director Director Chief Risk Officer/Director Director Assist. Cop. Sec./Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Director Corp. Secretary/Director Director Corp. Secretary/Director President Director</p>
<p>Aristeo R. Cruz Independent Director Filipino 55 years old CPA Lawyer B.S. in Commerce Major in Accountancy <i>De La Salle University</i> Bachelor of Laws (LLB) <i>New Era University</i></p>	<p>Wellex Industries, Inc. Forum Pacific, Inc. Acesite (Phils.) Hotel Corp. Waterfront Philippines Inc Meycauayan College, Inc. Liberty Bank (A Rural Bank), Inc. Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office) Idealland Realty & Dev't. Corp. Philstar Innovation Realty Corp.</p>	<p>Independent Director Independent Director Director Independent Director Vice-Chairman/Director, Dean, College Department Vice-President/Compiler Founding and Managing Partner President and Chief Operating Officer (COO) Corp. Secretary/Director</p>

	<p>Statosphere Realty & Dev't. Corp.</p> <p>Waterstreet Realty Corp.</p> <p>Jose & Luz Locsin Foundation</p> <p>Justina Emilia Realty and Management & Dev't. Corp.</p>	<p>President and Chief Operating Officer (COO)</p> <p>President</p> <p>President</p> <p>Corp. Secretary</p>
<p>Reno I. Magadia Director Filipino 52 years old Business Administration TV and Radio Broadcasting <i>California State University</i> Master's Degree – Business Administration <i>Pepperdine University</i> <i>Los Angeles, California</i></p>	<p>Metro Combined Logistics Solution, Inc.</p> <p>Misons Industrial & Dev't. Corp.</p> <p>Waterfront Phils., Inc.</p>	<p>Managing Director</p> <p>Director</p> <p>Director</p>
<p>Nestor S. Romulo Corp. Secretary/Director Filipino 77 years old Lawyer Bachelor of Laws (LLB) <i>University of the Philippines</i></p>	<p>Westmont Investment Corp.</p> <p>Wincorp Securities</p> <p>Romulo, Serrano & Camello Law Offices</p> <p>Reyno, Tiu, Domingo & Santos Law Offices</p> <p>JP Consultancy Resources & Management, Inc.</p> <p>JMP Dev't., Inc.</p> <p>Misons Industrial & Dev't Corp.</p> <p>Zuellig Distributors, Inc.</p> <p>Asia Healthcare, Inc.</p> <p>FEZ-EAC Holdings, Inc.</p>	<p>Chairman of the Board</p> <p>Director</p> <p>Partner</p> <p>Consultant</p> <p>Corp. Secretary</p> <p>Corp. Secretary</p> <p>Corp. Secretary</p> <p>Corp. Secretary</p> <p>Corp. Secretary</p> <p>Corp. Secretary</p>
<p>Byoung Hyun Suh Independent Director Korean 65 years old B.S. in Business Administration <i>Korea University, Seoul Korea</i></p>	<p>Philippines Estates Corporation</p> <p>Pan Islands, Inc.</p> <p>Bonamis Pharmacy Phil's. Corp.</p> <p>World OKTA (Overseas Korean Traders Association) Federation</p>	<p>Independent Director</p> <p>President</p> <p>President</p> <p>President</p>
<p>Richard L. Ricardo Corp. Treasurer/Investor Relations Officer Filipino 58 years old B.S. in Management Economics <i>Ateneo de Manila University</i></p>	<p>Forum Pacific, Inc.</p> <p>Wellex Industries, Inc.</p> <p>Waterfront Philippines, Inc.</p> <p>Acesite (Phils.) Hotel Corp.</p> <p>Philippine Estates Corp.</p> <p>The Wellex Group, Inc.</p> <p>Rexlon Realty Group, Inc.</p> <p>Westland Pacific Properties Corp.</p> <p>Wellex Petroleum, Inc.</p> <p>Wellex Mining Corp.</p> <p>Bocau Prime Estate Corp.</p> <p>Taguig Lake City Dev't. Corp.</p> <p>Pacific Wide Holdings, Inc.</p> <p>Dubai Gold Mining Corp.</p> <p>Sand Mining & Dev't. Corp.</p> <p>Manila Bay Front Hotels, Inc.</p> <p>Shanghai Global Estate Ventures Corp.</p>	<p>Investor Relations Officer/Director</p> <p>Corp. Treasurer/Investor Relations Officer/Director</p> <p>Corporate Affairs Officer/Compliance Officer</p> <p>Vice President for Corporate Affairs/Compliance Officer</p> <p>Corp. Treasurer/Investor Relations Officer/Director</p> <p>Corp. Secretary/Director</p> <p>Vice President/Director</p> <p>Corp. Secretary/Director</p> <p>Corp. Treasurer/Director</p> <p>Assist. Corp. Sec./Director</p> <p>Corp. Secretary/Director</p> <p>Corp. Secretary/Director</p> <p>Corp. Treasurer/Director</p> <p>Chairman/President/Director</p> <p>Corp. Treasurer/Director</p> <p>Corp. Treasurer/Director</p> <p>Corp. Secretary/Director</p>

	Bulacan Country Garden Dev't. Corp. Alliance Energy Power & Dev't. Inc.	Corp. Secretary/Director President/Director
Annabelle T. Abunda Finance Officer Filipino 45 years old CPA and Licensed Real Estate Broker B.S. in Accountancy <i>University of the Philippines in the Visayas</i>	Pacific Rehouse Corp. Pacific Wide Holdings, Inc. Forum Pacific, Inc. Wellex Industries, Inc.	Finance & Administration Manager Accounting Manager Compliance Officer Compliance Officer

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 Chairman of the Board	2021 2020 2019	- - -	- - -	- - -
2	Kenneth T. Gatchalian President	2021 2020 2019	- - -	- - -	- - -
3	Richard L. Ricardo Treasurer	2021 2020 2019	- - -	- - -	- - -
4	Nestor S. Romulo Corporate Secretary and Legal Counsel	2021 2020 2019	- - -	- - -	300,000 300,000 300,000
5	Aristeo R. Cruz and Byoung Hyun Suh Independent Directors	2021 2020 2019	- - -	- - -	20,000 20,000 20,000
6	All directors and Officers as a Group unnamed	2021 2020 2019	- - -	- - -	- - -

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, 2021, 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 43,096,501 Class B 30,708,883	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City	PCD Participants and their clients**	Filipino	73,805,334	24.110%
Common Shares Class B	Creston Global Limited c/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City	Perlie Alpuerto - Authorized signatory (Designated representative)	British	56,378,388	18.417%
Common Shares Class A	Chesa Holdings, Inc. 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. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City	Babelyn Mantos - Corporate Treasurer (Designated representative)	Filipino	31,498,000	10.289%
Common Shares Class A 14,442,356 Class B 13,432,644	Forum Holdings Corporation Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City	Ellen Balunsat - Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.106%
Common Shares Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corporation 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, 2021, 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
-	Richard L. Ricardo	-	Filipino	0.000
-	Annabelle T. Abunda	-	Filipino	0.000
Total		401		0.000

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, 2021 and 2020. 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	2021	2020
Short-term employee benefits	₱11,384,235	₱10,691,978
Total	₱11,384,235	₱10,691,978

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	
		2021	2020	2021	2020
Due from related parties:					
The Wellex Group, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ -	₱ (201)	₱ 5,258,409	₱ 5,258,409
Metro Combined Logistics, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	(10)	-	18,924	18,934
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	31,373	31,373
Total (Note 11)		₱ (10)	₱ (201)	₱ 5,308,706	₱ 5,308,716
Advances (Asset held for Sale):					
Polymax (Note 13)	Represents 20% share investment in NPCA	₱ 229,354,835	₱ 210,889,007	₱ 347,720,000	₱ 577,074,835
Due to related parties:					
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 requirement; Offset to accounts receivable	-	(52,876,888)	-	52,876,888
Philippine Estate Corporation	Secured, no impairment, no guarantee, interest bearing	6,522,409	268,260,352	274,782,761	268,260,352
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	14,284	26,756	695,497	681,213
		909,491	215,410,220	275,478,258	274,568,767

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, 2021 and 2020
- Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019
- Statements of Changes in Equity for each of the three years ended December 31, 2021, 2020 and 2019
- Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019
- 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
- Map of the relationship of the parent company within the parent company for the year ended December 31, 2021
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as required by Revised SRC Rule Annex 69-D
- 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 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.

March 11, 2021

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

March 29, 2021

The Corporation disclosed the death of Mr. James B. Palit-Ang, the Treasurer of the Corporation.

April 12, 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 March 31, 2021.

April 13, 2021

The Corporation appointed Mr. Richard L. Ricardo as the newly elected Treasurer.

May 14, 2021

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.

May 31, 2021

The Corporation submitted the Integrated Annual Corporate Governance Report for the year 2020 in compliance with the SEC Memorandum Circular No. 15, series of 2017.

July 8, 2021

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

July 9, 2021

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2020.

September 15, 2021

The Corporation submitted its Notice of Annual Stockholder's Meeting on October 28, 2021 to stockholders of record as of September 30, 2021 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 October 29, 2020
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 October 29, 2020
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other business/matters
10. Adjournment

October 7, 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 September 30, 2021.

October 28, 2021

The Corporation submitted the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held last October 28, 2021 via remote communication.

November 25, 2021

The Corporation submitted GIS 2020 as disclosed also in the Philippine Stock Exchanges for the year 2020.

November 26, 2021

The Corporation submitted copies of certificates of directors and key officers on the attended Good Corporate Governance Seminar held last November 19, 2021 via webinar conducted by the Risks, Opportunities, Assessment and Management (ROAM), Inc. a Corporate Governance training provider accredited by the SEC.

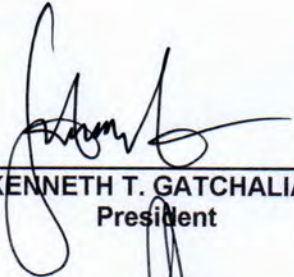
January 12, 2022

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, 2021.

SIGNATURES

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 on _____.


By:




KENNETH T. GATCHALIAN
President



RICHARD L. RICARDO
Treasurer



ANNABELLE T. ABUNDA
Finance Officer



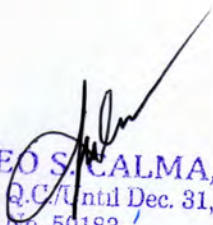
ATTY. NESTOR S. ROMULO
Corporate Secretary

OCT 28 2022

SUBSCRIBED AND SWORN to before me this _____ day of _____, in
JUEZON CI affiant (s) exhibiting to me their Tax Identification No. as follows:

AFFIANTS	Tax Identification No.	Issuer
1. Kenneth T. Gatchalian	167-406-526-000	Bureau of Internal Revenue
2. Richard L. Ricardo	140-853-860-000	Bureau of Internal Revenue
3. Annabelle T. Abunda	205-231-659-000	Bureau of Internal Revenue
4. Atty. Nestor S. Romulo	107-200-723-000	Bureau of Internal Revenue

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Page No.: 58
Book No.: LXXVIII
Series of: 711


ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. until Dec. 31, 2023
Roll No. 50183
PTR No. 2454359D/Jan. 03, 2022/Q.C.
IBP No. 183888, Jan. 31, 2022
MCLE COMP. NO. VII-0006924
Adm Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN No. 138-541-197-000



METRO ALLIANCE

HOLDINGS & EQUITIES CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

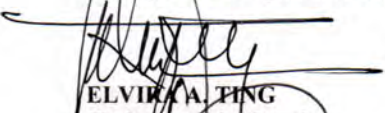
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP., AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

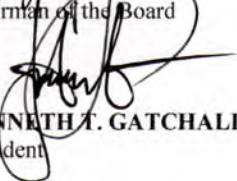
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

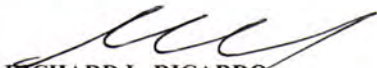
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

QUEZON CITY

SUBSCRIBED AND SWORN to before me in _____ City/Province, Philippines on _____
affiants personally appeared before me and exhibited to me their tax identification number.

OCT 21 2022

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: 74
PAGE NO: 07
BOOK NO: 1524
SERIES OF 707

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. Until Dec. 31, 2023
Roll No. 50183

PTR No. 2454359D/Jan. 03, 2022/Q.C.
IBP No. 183888, Jan. 31, 2022

MCLE COMP. NO. VII-0006924

Adm. Matter No. NP-062(2022-2023)

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
TIN No. 138-541-197-000

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

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

The Stockholders and the Board of Directors

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

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2021, on which we have rendered the attached report dated October 21, 2022.

In compliance with Revised SRC Rule 68, we are stating that the Group has seven hundred fifty-five (755) stockholders owning one hundred (100) or more shares each as of December 31, 2021.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-000-2021

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

SEC Accreditation No.0314-SEC, Group A

Issued on February 23, 2022

For the firm:


FELICIDAD A. ABAD

Partner

CPA Registration No. 25184, Valid until April 5, 2024

TIN No. 123-048-248-000

PTR No. 8852940, Issue Date: January 6, 2022, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-001-2021

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

SEC Accreditation No. 25184-SEC, Group A

Issued on February 23, 2022

Makati City, Philippines
October 21, 2022

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** (the Group) which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, 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 consolidated financial position of the Group as of December 31, 2021 and 2020 and of its consolidated financial performances and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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.

Emphasis of Matter

We draw attention to Note 33, Item II of the consolidated financial statements which describes the reason for the amendment of the consolidated statements of cash flows for each of the three years in the period ended December 31, 2021. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

(a) Realization of Outstanding Receivables from Polymax Worldwide

As of December 31, 2021 and 2020, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to P347.7 million and P577.1 million, which accounts for 47% and 63% of the Group's total assets, respectively. 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 consolidated 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.

In 2021, the Group recognized provision for credit losses to present the advances at net realizable value.

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 2021 and 2020. We also assessed the completeness and accuracy of the disclosures relating to the said advances in the consolidated notes to financial statements as discussed in Note 2.3.

We tested the provision for credit losses in compliance with PFRS 9.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (i) Identify and assess the risks of material misstatement of the consolidated 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 Group'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 consolidated 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 Group'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 Group'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 consolidated 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 a Group to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-000-2021

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

SEC Accreditation No.0314-SEC, Group A

Issued on February 23, 2022

For the firm:


FELICIDAD A. ABAD

Partner

CPA Registration No. 25184, Valid until April 5, 2024

TIN No. 123-048-248-000

PTR No. 8852940, Issue Date: January 6, 2022, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-001-2021

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

SEC Accreditation No. 25184-SEC, Group A

Issued on February 23, 2022

Makati City, Philippines
October 21, 2022

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)

ASSETS	Note	December 31,	
		2021	(As restated) 2020
CURRENT ASSETS			
Cash	12	40,440,630	33,101,605
Trade and other receivables, net	13	177,441,066	169,590,889
Other current assets, net	14	18,133,911	24,651,968
Total Current Assets		236,015,607	227,344,462
NON-CURRENT ASSETS			
Advances to a related party	15	347,720,000	577,074,835
Financial assets at fair value through other comprehensive income	16	19,197,485	20,921,885
Property and equipment, net	17	67,472,370	72,147,002
Deferred tax asset	22	61,514,282	5,558,432
Other non-current assets	18	11,038,226	11,737,905
Total Non-Current Assets		506,942,363	687,440,059
TOTAL ASSETS		742,957,970	914,784,521
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	19	288,341,929	291,646,159
Lease liability	20	31,527,865	34,051,307
Due to related parties	21	695,497	6,308,415
Total Current Liabilities		320,565,291	332,005,881
NON CURRENT LIABILITIES			
Accrued expenses, non-current portion	19	123,438,803	123,438,803
Lease liability, non-current portion	20	24,488,841	34,810,789
Due to related parties, non-current portion	21	274,782,761	268,260,352
Accrued retirement benefit costs	29	10,670,457	8,636,254
Total Non-Current Liabilities		433,380,862	435,146,198
EQUITY			
Share capital	23	306,122,449	306,122,449
Additional paid-in capital	23	3,571,923	3,571,923
Deficit	24	(379,751,292)	(214,668,844)
Remeasurement gain on retirement plan	29	4,206,273	4,205,315
Fair value reserve	16	2,926,522	4,650,922
Total equity attributable to Parent Company's shareholders		(62,924,125)	103,881,765
Equity attributable to non-controlling interest		51,935,942	43,750,677
Total Equity		(10,988,183)	147,632,442
TOTAL LIABILITIES AND EQUITY		742,957,970	914,784,521

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

For the Years Ended December 31,	Note	2021	2020	2019
SALE OF SERVICES	25	293,462,629	273,670,106	318,405,100
COST OF SERVICES	26	241,598,842	228,227,688	260,126,859
GROSS PROFIT		51,863,787	45,442,418	58,278,241
FINANCE INCOME	27	71,862	164,137	229,016
FINANCE COSTS	27	(2,629,721)	(3,504,758)	(2,726,765)
OTHER INCOME	27	2,151,533	1,654,529	361,590
GENERAL AND ADMINISTRATIVE EXPENSES	28	(259,363,967)	(34,499,768)	(33,907,695)
INCOME BEFORE TAX		(207,906,506)	9,256,558	22,234,387
PROVISION FOR (BENEFIT FROM) INCOME TAX	22			
Current		(4,947,449)	(4,645,937)	(7,860,795)
Deferred		55,955,851	147,496	795,103
NET INCOME (LOSS)		(156,898,104)	4,758,117	15,168,695
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized loss on equity investment	16	(1,724,400)	(287,400)	(1,437,000)
Remeasurement gain (loss) on retirement plan, net of tax	29	1,879	1,879	195,369
TOTAL COMPREHENSIVE INCOME		(158,620,625)	4,472,596	13,927,064
Net income attributable to:				
Equity holders of the Parent Company		(165,082,448)	204,333	6,430,810
Non-controlling interest		8,184,344	4,553,784	8,737,885
		(156,898,104)	4,758,117	15,168,695
Other comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		(1,723,442)	(286,442)	(1,337,362)
Non-controlling interest		921	921	95,731
		(1,722,521)	(285,521)	(1,241,631)
Basic income per share				
Income for the year attributable to equity holders of the Parent Company	31	(0.5393)	0.0007	0.0210

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

	Attributable to Equity Holders of the Parent Company							Minority Interests	Total Equity
	Share Capital (Note 23)	Additional Paid-in Capital (Note 23)	Deficit (Note 24)	Remeasurement Gain (Loss) on Retirement Plan (Note 29)	Fair Value Reserve (Note 16)	Subtotal			
BALANCES AS OF DECEMBER 31, 2018	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	
Net income	-	-	(165,082,448)	-	-	(165,082,448)	8,184,344	(156,898,104)	
Other comprehensive income	-	-	-	958	(1,724,400)	(1,723,442)	921	(1,722,521)	
BALANCES AS OF DECEMBER 31, 2021	306,122,449	3,571,923	(379,751,292)	4,206,273	2,926,522	(62,934,125)	51,935,942	(10,988,183)	

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Note	<i>(As restated)</i>		
		2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		(207,906,506)	9,256,558	22,234,387
Adjustments for:				
Adjustment on initial application of PFRS 16, leases	3	-	-	(1,078,718)
Provision for probable losses on trade and other receivables	13	-	1,518,129	874,729
Provision for expected credit losses on advances	15	224,507,563	-	-
Provision for impairment on other current assets	14	-	1,450,756	-
Provision for impairment on advances	28	69,804	-	-
Amortization of intangible assets	18	449,011	429,753	496,225
Depreciation	17	36,732,216	34,063,694	35,843,499
Gain on disposal of equipment	17	-	-	(297,302)
Written-off accrued retirement benefit	29	-	(672,444)	-
Provision for retirement benefit costs	29	2,036,082	1,549,600	1,682,621
Interest expense on lease liability	32	2,629,721	3,504,759	2,726,765
Interest income	27	(71,862)	(164,137)	(229,016)
Operating income before working capital changes		58,446,029	50,936,668	62,253,190
Changes in assets and liabilities:				
Trade and other receivables, net		(7,850,177)	(22,796,575)	(17,350,262)
Other current assets		1,570,608	(11,701,257)	(4,524,985)
Other non-current assets		325,668	(4,951,304)	(2,008,780)
Accounts payable and accrued expenses		(3,374,032)	17,026,670	(11,560,596)
Net Cash Flows from Operating Activities		49,118,096	28,514,202	26,808,567
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received from:				
Bank deposits	27	71,862	164,137	229,016
Proceeds from:				
Collection of advances to a related party	15	4,847,271	-	2,634,110
Disposal of financial assets at amortized cost		-	2,038,632	-
Disposal of property and equipment	17	-	-	387,200
Acquisition of:				
Additional advances to a related party	15	-	(210,889,007)	-
Financial assets at amortized cost		-	-	(2,038,632)
Property and equipment	17	(12,574,052)	(1,418,754)	(4,491,863)
Intangible asset	18	(75,000)	(764,393)	-
Net Cash Flows from Investing Activities		(7,729,919)	(210,869,385)	(3,280,169)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid on lease liability	32	(2,629,721)	(3,504,759)	(2,726,765)
Payment of lease liability	20	(32,328,922)	(29,431,329)	(31,219,165)
Advances from related parties	30	909,491	215,410,220	206,979
Net Cash Flows from Financing Activities		(34,049,152)	182,474,132	(33,738,951)
NET INCREASE (DECREASE) IN CASH		7,339,025	118,949	(10,210,553)
CASH AT BEGINNING OF YEAR	12	33,101,605	32,982,656	43,193,209
CASH AT END OF YEAR	12	40,440,630	33,101,605	32,982,656

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021, 2020 and 2019

NOTE 1 – CORPORATE INFORMATION

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

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

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

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

The accompanying consolidated financial statements as of December 31, 2021 (including comparative amounts as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were approved and authorized for issue by the Board of Directors (BOD) on October 21, 2022.

NOTE 2– STATUS OF OPERATIONS

2.1 Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As of December 31, 2021 and 2020, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱347.7 million and ₱577.1 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 2021 and 2020, the Parent Company was able to collect partially their advances from Polymax amounting to ₱11,369,681 and ₱57,371,345, 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, 2021. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. This, coupled with the perceived inability of our Iranian partners to manage the business properly, has resulted in the closure of the Bataan polyethylene plant. In order to protect the Parent Company's interests, the Parent Company filed legal suits against its partners in NPCAC in order to establish full accountability. Among the other options the Parent Company have presented to the 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. Under the oversight of the Regional Trial Court, the Parent Company opted to discuss the options with the Iranians via the mediation and judicial arbitration processes, and the Parent Company is still hopeful that the parties can arrive at a quick and acceptable solution to the matter at the soonest time.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. The pandemic, however, has forced the Parent Company to reevaluate its operational costs in order to remain competitive in the logistics industry. As a means of diversification, 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 ₱ 347,720,000 as of December 31, 2021

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

In 2021, provision for expected credit losses amounting to ₱224.5 million was recognized in compliance with the requirements of PFRS 9.

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 consolidated 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, NCPI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$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 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	
	2021	2020
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

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

Investment in subsidiary

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

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

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

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

Non-controlling interests

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

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 Amended Accounting Standards Effective in 2021

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 Group adopted.

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)”.

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.

New and Amended Standards Effective Subsequent to 2021 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2021 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the financial statements.

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 PAS 1, 'Presentation of financial statements', PFRS Practice statement 2 and PAS 8, 'Accounting policies, changes in accounting estimates and errors' - The amendment require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. On the other hand, the amendment to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments should help companies:

- to improve accounting policy disclosures, either by making the disclosures more specific to the entity or by reducing generic disclosures that are commonly understood applications of IFRS; and
- to distinguish changes in accounting estimates from changes in accounting policies.

These amendments are not expected to have a significant impact on the preparation of the consolidated financial statements.

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, 2021 and 2020, the Group does not have financial assets and liabilities measured at FVPL.

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

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

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

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

As of December 31, 2021 and 2020, the Group’s cash, trade and other receivables, advances to related parties, 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, 2021 and 2020, the Group has no financial assets at FVPL.

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

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

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

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

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of December 31, 2021 and 2020, the Group's equity investments at FVOCI are included under this category.

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

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

As of December 31, 2021 and 2020, 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.

Receivables are measured at the transaction price determined under PFRS 15 (*refer to the accounting policies for Revenue from contract with customers*). Accounts 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.

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:

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

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

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

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

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 from contract with customers

Revenue from contract with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The Group applies this standard with its revenue arrangements on the holding business interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics..

To determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract; and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Company performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contract with customers are disclosed in Note 5.

Revenue includes only the gross inflow of the economic benefits received and receivable by the Group 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.

Contract balances

Receivable from Customers

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

4.21 Cost and expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Costs and expenses are recognized in profit or loss in the separate statements of comprehensive income:

- on the basis of a 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 can only be broadly or indirectly determined; or
- immediately when expenditures produce 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 statement of financial position as an asset.

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 Group 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 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 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, 2021 and 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 manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

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).

Revenue recognition from contracts with customers

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the (a) identification of the contract for sale of services that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; and (c) determining the timing of satisfaction of the performance obligation.

Identification of the contract

The Group's primary document for a contract with a customer is a signed contract. It has determined however, that in cases wherein contracts to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with customer under PFRS 15.

In addition, part of the assessment of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for its services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Determining performance obligation

With respect to its business, the Group concluded that the transfer of services in each contract constitute a performance obligation. In particular, the promised services in contracts for holding interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics mainly include holding stock or membership interests in other companies. Generally, the Group is responsible for all of these services and the overall management of the project. Although these services are capable of being distinct in the context contract.

The Group uses those services as inputs and provides a significant service of integrating them into a combined output.

Determining the timing of satisfaction of the performance obligation

The Group concluded that revenue from contracts with customers is to be recognized at a point in time since it does not fall within any of the following conditions to be met for a recognition over a period of time:

- (a) The customer receives and consumes the benefits of the goods or services as they are provided by the Group;
- (b) the Group's performance does not create an asset with an alternative use and;
- (c) the goods or services create or enhances an asset that the customer controls as that asset is created and enhanced.

The promised services are specifically identified in the contract. In addition, the customer is contractually obliged to make payments to the seller upon performance of services.

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.

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, 2021, 2020 and 2019 amounted to ₱44,117,096, ₱48,205,450 and ₱39,517,592, respectively (Note 32).

Group as a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

In 2019, the Group entered into lease agreements with terms ranging from 2 to 5 years, ending April 2020, May 2021 and October and November 2024. All are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Leases are further disclosed in Notes 20 and 32.

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 2021 and 2020. The carrying amounts of the Group’s financial assets are as follows:

	Note	2021	2020
Cash in banks	12	₱ 40,196,970	₱ 32,933,605
Trade and other receivables, net	13	177,441,066	169,590,889
Refundable deposits	14,19	10,667,230	10,992,898

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 ₱149,004,704 and ₱150,522,844 as of December 31, 2021 and 2020) amounted to ₱177,441,066 and ₱169,590,889 as of December 31, 2021 and 2020, respectively (see Note 13).

The carrying amount of other current assets amounted to ₱18,133,911 and ₱24,651,968 as of December 31, 2021 and 2020, respectively as discussed in Note 14.

In 2021 and 2020, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱14,336,880, as shown also in Note 14.

Estimating allowance for credit losses of advances

Advances to Polymax amounting to ₱347,720,000 and ₱577,074,835 as of December 31, 2021 and 2020, respectively, constitute 47% and 63% of the Group's total assets at the end of 2021 and 2020, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 15.

In 2021, provision for estimated credit losses on advances to related party was recognized in compliance with the requirements of PFRS 9.

Allowance for estimated credit losses on advances to subsidiaries amounted to ₱177,937,561 and ₱177,902,335 for years ended December 31, 2021 and 2020, respectively. No write-off and recoveries were recognized by the Company as of December 31, 2021 and 2020.

Estimating useful lives and residual values of property and equipment and intangible assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in 2021 and 2020.

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, 2021 and 2020. As of December 31, 2021 and 2020, property and equipment, net of accumulated depreciation, amounted to ₱67,472,370 and ₱72,147,002, respectively, (Note 17) and total depreciation charged to operations amounted to ₱35,732,216 and ₱34,063,694 (Note 17) for periods ending December 31, 2021 and 2020, respectively.

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 2021 and 2020, the Group's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱56,016,706 and ₱68,862,096 is ranging from 3% to 5% (Note 21).

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 ₱61,514,282 and ₱5,558,432 of December 31, 2021 and 2020, respectively (Note 22).

The Group did not recognize deferred tax assets of the Group and its non-operating subsidiaries amounting to ₱42,341,696 and ₱42,046,706 as of December 31, 2021 and 2020, respectively, as management believes that the Group and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in Note 23.

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 ₱10,670,457 and ₱8,636,254 as of December 31, 2021 and 2020, respectively (Note 29).

5.3 Provision and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The policy on the recognition and disclosure of provisions is discussed in Note 4.

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 35. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

NOTE 6 – BUSINESS COMBINATION

The Parent Company, Metro Alliance Holdings and Equities Corp., acquired the subsidiaries and are accounted using the acquisition method. The following subsidiaries are as follows:

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

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

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.

	2021	2020
Equity share held by NCI	49%	49%
Summarized Statements of Financial Position:		
Current assets	₱ 193,449,452	₱ 185,127,133
Non-current assets	83,959,315	89,347,409
Current liabilities	131,153,289	136,647,685
Non-current liabilities	35,159,298	43,447,043
Total Equity	111,096,179	94,379,814
Equity attributable to Parent Company shareholders	56,659,051	48,133,705
Equity attributable to NCI	54,437,128	46,246,109
Summarized Statements of Comprehensive Income:		
Revenues	293,462,629	273,670,106
Net income	16,714,485	9,314,467
Income attributable to Parent Company shareholders	8,524,387	4,750,378
Income attributable to NCI	8,190,098	4,564,089
Dividends declared to NCI	-	-
Dividends paid to NCI	-	-
Summarized Statements of Cash Flows:		
Operating activities	86,654,415	56,934,766
Investing activities	32,131,998	23,003,338
Financing activities	47,449,184	33,752,619
Net increase (decrease) in cash	7,309,543	178,809

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 2021 and 2020.

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, 2021 and 2020 and for the years then ended is presented below.

	2021		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 293,462,629	₱ -	₱ 293,462,629
Results:			
Segment result	19,629,408	(231,481,830)	(211,852,422)
Other income	2,222,684	711	2,223,395
Provision for income tax	(5,135,727)	56,144,129	51,008,402
Net income	16,716,365	(175,336,990)	(158,620,625)
Other Information:			
Segment assets	277,408,767	465,549,203	742,957,970
Segment liabilities	166,312,588	587,633,565	753,946,153
Capital expenditures	32,131,998	586	32,132,584
Depreciation and amortization	37,006,145	175,082	37,181,227
Noncash items other than depreciation and amortization	2,036,083	-	2,036,083
	2020		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 273,670,106	₱ -	₱ 273,670,106
Results:			
Segment result	11,996,503	(4,844,132)	7,152,371
Other income	1,818,284	382	1,818,666
Provision for income tax	(4,498,441)	-	(4,498,441)
Net income	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 and amortization	2,968,885	-	2,968,885

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, 2021 and 2020, 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	2021			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial assets at amortized cost:				
Cash*	₱ 40,196,970	₱ -	₱ -	₱ 40,196,970
Trade and other receivables (gross)	-	177,272,043	149,173,727	326,445,770
Advances to related parties	-	-	347,720,000	347,720,000
Refundable deposits	-	124,898	10,542,332	10,667,230
Subtotal	40,196,970	177,396,941	507,436,059	725,029,970
Financial assets at FVOCI	-	-	19,197,485	19,197,485
Total	40,196,970	177,396,941	526,633,544	744,227,455
Financial liabilities:				
Accounts payable and accrued expenses**	₱ -	₱ 266,976,308	₱ 123,438,803	₱ 390,375,111
Lease liability	-	31,527,865	24,488,841	56,016,706
Due to related parties	-	695,497	274,782,761	275,478,258
Total	-	299,199,670	422,710,405	721,870,075
Net Position	₱ 40,196,970	₱ (121,802,729)	₱ 103,923,139	₱ 22,357,380

*Excludes cash on hand

**Excludes government liabilities

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	0	320,113,733
Advances to related parties	-	-	577,074,835	577,074,835
Refundable deposits	-	124,898	10,868,000	10,992,898
Subtotal	32,933,605	171,064,894	737,116,572	941,115,071
Financial assets at FVOCI	-	-	20,921,885	20,921,885
Total	32,933,605	171,064,894	758,038,457	962,036,956
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)	₱ 331,528,513	₱ 220,894,165

*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, 2021 and 2020, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired.

- a. Financial information on the Group's maximum exposure to credit risk as of December 31, 2021 and 2020, without considering the effects of collaterals and other risk mitigation techniques are presented below.

Particulars	2021	2020
Cash	₱ 40,440,630	₱ 33,101,605
Trade and other receivables, net	177,441,066	169,590,889
Advances to related parties	347,720,000	577,074,835
Refundable deposits	<u>10,667,230</u>	<u>10,992,898</u>
 Total	 ₱ <u>576,268,926</u>	 ₱ <u>790,760,227</u>

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, 2021			
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash in banks	₱ 40,196,970	₱ -	₱ -	₱ 40,196,970
Trade receivables (gross)	-	135,707,173	-	135,707,173
Other receivables (gross)	-	-	41,564,870	41,564,870
Advances to a related party	-	347,720,000	224,507,563	572,227,563
Refundable deposit	10,667,230	-	-	10,667,230
Subtotal	50,864,200	483,427,173	266,072,433	800,363,806
Financial assets at FVOCI	19,197,485	-	-	19,197,485
Total	₱ 70,061,685	₱ 483,427,173	₱ 266,072,433	₱ 819,561,291

	As at December 31, 2020			
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash in banks	₱ 32,933,605	₱ -	₱ -	₱ 32,933,605
Trade receivables (gross)	-	130,172,584	-	130,172,584
Other receivables (gross)	-	-	40,767,412	40,767,412
Advances to related party	-	577,074,835	-	577,074,835
Refundable deposit	10,992,898	-	-	10,992,898
Subtotal	43,926,503	707,247,419	40,767,412	791,941,334
Financial assets at FVOCI	20,921,885	-	-	20,921,885
Total	₱ 64,848,388	₱ 707,247,419	₱ 40,767,412	₱ 812,863,219

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>2021</u>	<u>2020</u>
Total liabilities	₱ 753,946,153	₱ 767,152,079
Total equity	<u>(10,988,183)</u>	<u>147,632,442</u>
Debt-to-equity ratio	<u>-68.61:1</u>	<u>5.20:1</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, 2021 and 2020:

Particulars	<u>2021</u>		<u>2020</u>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at amortized cost				
Cash	₱ 40,440,630	₱ 40,440,630	₱ 33,101,605	₱ 33,101,605
Trade and other receivables, net	177,441,066	177,441,066	169,590,889	169,590,889
Advances to related party	347,720,000	347,720,000	577,074,835	577,074,835
Refundable deposits	<u>10,667,230</u>	<u>10,667,230</u>	<u>10,992,898</u>	<u>10,992,898</u>
Subtotal	<u>576,268,926</u>	<u>576,268,926</u>	790,760,227	790,760,227
Financial assets at FVOCI	<u>19,197,485</u>	<u>19,197,485</u>	<u>20,921,885</u>	<u>20,921,885</u>
Total	₱ <u>595,466,411</u>	₱ <u>595,466,411</u>	₱ <u>811,682,112</u>	₱ <u>811,682,112</u>
Financial Liabilities				
Accounts payable and accrued expenses	₱ 411,780,732	₱ 411,780,732	₱ 415,084,962	₱ 415,084,962
Lease liability	56,016,706	56,016,706	68,862,096	68,862,096
Due to related parties	<u>275,478,258</u>	<u>275,478,258</u>	<u>274,568,767</u>	<u>274,568,767</u>
Total	₱ <u>743,275,696</u>	₱ <u>743,275,696</u>	₱ <u>758,515,825</u>	₱ <u>758,515,825</u>

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, 2021 and 2020:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost:				
Cash	₱ 40,440,630	₱ -	₱ -	₱ 40,440,630
Trade and other receivables, net	-	-	177,441,066	177,441,066
Advances to related party	-	-	347,720,000	347,720,000
Refundable deposits	-	-	10,667,230	10,667,230
Subtotal	<u>40,440,630</u>	<u>-</u>	<u>535,828,296</u>	<u>576,268,926</u>
Financial assets at FVOCI	<u>19,197,485</u>	<u>-</u>	<u>-</u>	<u>19,197,485</u>
Total	₱ <u>59,638,115</u>	₱ <u>-</u>	₱ <u>535,828,296</u>	₱ <u>595,466,411</u>
Financial liabilities at amortized cost:				
Accounts payable and accrued expenses	₱ -	₱ -	₱ 411,780,732	₱ 411,780,732
Lease liability	-	-	56,016,706	56,016,706
Due to related parties	-	-	275,478,258	275,478,258
Total	₱ <u>-</u>	₱ <u>-</u>	₱ <u>743,275,696</u>	₱ <u>743,275,696</u>
December 31, 2020				
	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost:				
Cash	₱ 33,101,605	₱ -	₱ -	₱ 33,101,605
Trade and other receivables, net	-	-	169,590,889	169,590,889
Advances to related party	-	-	577,074,835	577,074,835
Refundable deposits	-	-	10,992,898	10,992,898
Subtotal	<u>33,101,605</u>	<u>-</u>	<u>757,658,622</u>	<u>790,760,227</u>
Financial assets at FVOCI	<u>20,921,885</u>	<u>-</u>	<u>-</u>	<u>20,921,885</u>
Total	₱ <u>54,023,490</u>	₱ <u>-</u>	₱ <u>757,658,622</u>	₱ <u>811,682,112</u>
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	₱ <u>-</u>	₱ <u>-</u>	₱ <u>758,515,825</u>	₱ <u>758,515,825</u>

As at December 31, 2021 and 2020, there are no financial assets or financial liabilities measured at fair value. There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2021 and 2020.

Financial instruments not measured at fair value for which fair value is disclosed

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine fair value of such instruments are not based on observable market data.

NOTE 12 – CASH

As of December 31, the account consists of:

Particulars	2021	2020
Cash on hand	₱ 243,660	₱ 168,000
Cash in banks	<u>40,196,970</u>	<u>32,933,605</u>
Total	₱ <u>40,440,630</u>	₱ <u>33,101,605</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱71,862 and ₱164,137 in 2021 and 2020, respectively (Note 27).

NOTE 13 – TRADE AND OTHER RECEIVABLES, NET

As of December 31, the account consists of:

Particulars	2021	2020
Trade receivables	₱ 135,707,173	₱ 130,172,584
Notes receivable	143,865,021	143,865,021
Due from related parties (Note 30)	5,308,706	5,308,716
Other receivables	<u>41,564,870</u>	<u>40,767,412</u>
Subtotal	326,445,770	320,113,733
Less: Allowance for probable losses	<u>(149,004,704)</u>	<u>(150,522,844)</u>
Total	₱ <u>177,441,066</u>	₱ <u>169,590,889</u>

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 2021 and 2020.

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	2021	2020
Balance at beginning of year	₱ 150,522,844	₱ 149,004,715
Reversal of allowance	(1,518,140)	-
Provision for the year (Note 29)	-	1,518,129
Write-off during the year	-	-
Balance at end of year	₱ <u>149,004,704</u>	₱ <u>150,522,844</u>

NOTE 14 – OTHER CURRENT ASSETS, NET

As of December 31, the account consists of:

Particulars	2021	2020
Creditable withholding taxes	₱ 13,859,636	₱ 9,332,516
Input taxes	9,081,258	8,404,787
Prepayments and others	9,404,999	21,126,647
Refundable deposits	124,898	124,898
Subtotal	32,470,791	38,988,848
Less: Allowance for impairment	(14,336,880)	(14,336,880)
Total	₱ <u>18,133,911</u>	₱ <u>24,651,968</u>

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	2021	2020
Balance at beginning of year	₱ 14,336,880	₱ 12,886,123
Reversal of allowance	-	-
Provision for the year (Note 28)	-	1,450,757
Write-off during the year	-	-
Balance at end of year	₱ <u>14,336,880</u>	₱ <u>14,336,880</u>

NOTE 15 – ADVANCES TO A RELATED PARTY

Advances amounting to ₱347,720,000 and ₱577,074,835, which constitutes 47% and 63% of the Group's total assets as of December 31, 2021 and 2020, 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 and March 5, 2018 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.

During 2021 and 2020, the Company made additional collections of the advances from Polymax amounting to ₱11,369,681 and ₱57,371,345, respectively.

In 2021, provision for credit losses on Advances to Polymax amounting to ₱224,507,563 was recognized in compliance with the requirements of PFRS 9.

Reclassification of Advances to Polymax

In 2021 and 2020, the account was reclassified from Asset Held for Sale due to its nature of account. The reclassification has no effect in the consolidated retained earnings or cumulative deficit.

NOTE 16 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, the account consists of:

Particulars	2021	2020
At acquisition cost	₱ 16,270,963	₱ 16,270,963
Cumulative fair value gain – in equity	<u>2,926,522</u>	<u>4,650,922</u>
Total	<u>₱ 19,197,485</u>	<u>₱ 20,921,885</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	2021	2020
Beginning balance	₱ 20,921,885	₱ 21,209,285
Additions	-	-
Fair value gain (loss)	<u>(1,724,400)</u>	<u>(287,400)</u>
Total	<u>₱ 19,197,485</u>	<u>₱ 20,921,885</u>

Movements in the net unrealized gain on equity instruments financial assets are as follows:

Particulars	2021	2020
Beginning balance	₱ 4,650,922	₱ 4,938,322
Fair value gain (loss)	<u>(1,724,400)</u>	<u>(287,400)</u>
Total	<u>₱ 2,926,522</u>	<u>₱ 4,650,922</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 – PROPERTY AND EQUIPMENT, NET

As of December 31, 2021, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,778,559	3,019,022	-	₱ 5,797,581
Machinery and equipment	28,284,724	7,126,623	-	35,411,347
Office furniture, fixtures, and computer equipment	18,170,635	2,428,407	-	20,599,042
Right-of-use asset	129,512,591	-	19,483,532	148,996,123
Total	178,746,509	12,574,052	19,483,532	210,804,093
Accumulated depreciation:				
Leasehold improvements	2,511,770	868,605	-	3,380,375
Machinery and equipment	24,345,698	2,661,507	-	27,007,205
Office furniture, fixtures, and computer equipment	16,287,673	1,629,026	-	17,916,699
Right-of-use asset	63,454,366	31,573,078	-	95,027,444
Total	₱ 106,599,507	36,732,216	-	₱ 143,331,723
Net Book Value	₱ 72,147,002			₱ 67,472,370

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

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,622,377	156,182	-	₱ 2,778,559
Machinery and equipment	27,759,760	524,964	-	28,284,724
Office furniture, fixtures, and computer equipment	17,433,028	737,608	-	18,170,636
Right-of-use asset	106,304,776	-	23,207,814	129,512,590
Total	154,119,941	1,418,754	23,207,814	178,746,509
Accumulated depreciation:				
Leasehold improvements	2,124,403	387,367	-	2,511,770
Machinery and equipment	22,450,810	1,894,888	-	24,345,698
Office furniture, fixtures, and computer equipment	15,162,329	1,125,344	-	16,287,673
Right-of-use asset	32,798,271	30,656,095	-	63,454,366
Total	₱ 72,535,813	34,063,694	-	₱ 106,599,507
Net Book Value	₱ 81,584,128			₱ 72,147,002

The Group elected to use the cost model in accounting for property and equipment. They also believed that the carrying amount of its property and equipment during the year are not impaired.

None of the properties were pledged or mortgaged as collateral to secure any of the Company's loans.

Depreciation expense is recognized under cost of services and general and administrative expense. To wit:

Particular	2021	2020	2019
Cost of services (Note 26)	₱ 34,087,802	₱ 32,469,016	₱ 34,345,476
General and administrative expenses (Note 27)	2,644,414	1,594,678	1,498,023
Total	₱ 36,732,216	₱ 34,063,694	₱ 35,843,499

NOTE 18 – OTHER NON-CURRENT ASSETS

As of December 31, this account is composed of the following:

	2021	2020
Refundable deposits, non-current portion	₱ 10,542,332	₱ 10,868,000
Intangible assets	495,894	869,905
Total	₱ 11,038,226	₱ 11,737,905

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, 2021 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	2,590,039	75,000	-	2,665,039
Total	5,060,084	75,000	-	5,135,084
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	1,720,134	449,011	-	2,169,145
Total	₱ 4,190,179	449,011	-	₱ 4,639,190
Net Book Value	₱ 869,905			₱ 495,894

The carrying amount of intangible assets as of December 31, 2020 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	1,825,646	764,393	-	2,590,039
Total	4,295,691	764,393	-	5,060,084
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	1,290,380	429,754	-	1,720,134
Total	₱ 3,760,425	429,754	-	₱ 4,190,179
Net Book Value	₱ 535,266			₱ 869,905

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 19 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are as follows:

Particulars	2021	2020
Current portion		
Trade payables	₱ 57,142,058	₱ 64,169,418
Accrued expenses	172,229,406	172,480,164
Other current liabilities	58,970,465	54,996,577
Subtotal	288,341,929	291,646,159
Non-current portion		
Accrued expenses	123,438,803	123,438,803
Total	₱ 411,780,732	₱ 415,084,962

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 20 – LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of December 31, 2021 and 2020, the Company's determined incremental rate used is between 3% and 5%.

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

Particulars	2021	2020
Current	₱ 31,527,865	₱ 34,051,307
Non-current	24,488,841	34,810,789
Total	₱ 56,016,706	₱ 68,862,096

Interest expense pertaining to lease liability amounted to ₱2,629,721 and ₱3,504,758 for the years ended December 31, 2021 and 2020, respectively (Note 27).

In 2021 and 2020, movement of the account includes:

Particulars	2021	2020
Beginning balance	₱ 68,862,096	₱ 75,085,611
Additions	19,483,532	23,207,814
Payments	(32,328,922)	(29,431,329)
Total	₱ 56,016,706	₱ 68,862,096

NOTE 21 – DUE TO RELATED PARTIES

Details of this account are as follows:

Particulars	2021	2020
Philippine Estate Corporation	₱ 274,782,761	₱ 268,260,352
Acesite (Phils.) Hotel Corporation	-	5,627,202
Others	695,497	681,213
Total	₱ 275,478,258	₱ 274,568,767

The Group issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of P263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. In 2021 and 2020, interest incurred amounted to ₱5,260,007.

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 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 30).

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 30).

NOTE 22 – INCOME TAXES

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery or Tax incentives for Enterprises Act” (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

a. The components of the Group’s benefit from income tax are as follows:

Particulars	2021	2020
Current tax expense	₱ 4,947,449	₱ 4,645,937
Deferred tax benefit	<u>(55,955,851)</u>	<u>(147,496)</u>
Income tax expense	₱ <u>(51,008,402)</u>	₱ <u>4,498,441</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	2021	2020
Provision for income tax loss at statutory tax rate	₱ 4,965,267	₱ 3,936,878
Tax effects of:		
Interest income subject to final tax	(17,818)	(44,843)
Unallowable interest and other expenses	-	753,902
Deferred tax assets	<u>(55,955,851)</u>	<u>(147,496)</u>
Income tax expense for the year	₱ <u>(51,008,402)</u>	₱ <u>4,498,441</u>

c. The components of Group’s deferred tax assets are the tax effects of the following:

Particulars	2021	2020
Deferred tax assets:		
Provision for credit losses	₱ 57,424,436	₱ 1,660,234
Provision for impairment	380,140	-
Accrued retirement benefits costs	994,451	993,981
Unrealized foreign exchange loss	341,555	2,203,249
Accounts payable - HQ	1,861,694	-
Effect of MRA on retained earnings	269,679	-
Net tax effect of PFRS 16	<u>242,327</u>	<u>700,968</u>
Total	₱ <u>61,514,282</u>	₱ <u>5,558,432</u>

d. Deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱42,341,696 and ₱42,046,706 as of December 31, 2021 and 2020, 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	2021	2020
Allowance for probable losses	₱ 158,020,909	₱ 158,020,909
NOLCO	11,345,875	10,165,916
Accrued retirement benefits costs	-	-
Total	₱ 169,366,784	₱ 168,186,825

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

Year incurred	Valid Until	Amount	Applied	Expired	Balance
2021	2026	₱ 5,135,130	-	-	₱ 5,135,130
2020	2025	3,486,819	-	-	3,486,819
2019	2022	2,723,926	-	-	2,723,926
2018	2021	3,955,171	-	3,955,171	-
Total		₱ 15,301,046	₱ -	₱ 3,955,171	₱ 11,345,875

NOTE 23 – SHARE CAPITAL

a. The Group's share capital as of December 31, 2021 and 2020 consists of the following common shares:

Particulars	2021	2020
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ 720,000,000	₱ 720,000,000
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ 183,673,470	₱ 183,673,470
Number of equity holders	629	629
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ 480,000,000	₱ 480,000,000
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ 122,448,979	₱ 122,448,979
Number of equity holders	404	404
Additional Paid-in Capital	₱ 3,571,923	₱ 3,571,923

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

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 24 – 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	2021	2020
Cumulative deficit, beginning	₱ (214,668,844)	₱ (214,870,166)
Recognition of expired and closing of unutilized NOLCO	-	(3,011)
Cumulative deficit, as adjusted	<u>(214,668,844)</u>	<u>(214,873,177)</u>
Net income (loss) based on the face of equity investments	(158,620,625)	4,472,596
Add: Non-actual gain/unrealized loss		
Unrealized loss (gain) on re-measurement of equity investments	1,724,400	287,400
Remeasurement loss (gain) on retirement plan	(1,879)	(1,879)
Non-controlling interest in net income	<u>(8,184,344)</u>	<u>(4,553,784)</u>
Net income (loss) actual/realized	<u>(165,082,448)</u>	<u>204,333</u>
Cumulative deficit, end	₱ <u>(379,751,292)</u>	₱ <u>(214,668,844)</u>

In 2021, the Parent Company recognized provision for estimated credit losses of ₱224.5 million on advances to a related party which contributes to the material losses for the year. The provision is in compliance with the requirements of PFRS 9.

NOTE 25 – SALE OF SERVICES

For the years ended December 31, 2021, 2020 and 2019, the account comprises of sale of services amounting to ₱293,462,629, ₱273,670,106 and ₱318,405,100, respectively.

NOTE 26 – COST OF SERVICES

For the years ended December 31, the account consists of:

Particulars	2021	2020	2019
Personnel costs	₱ 111,033,906	₱ 96,156,957	₱ 96,373,912
Rent and utilities	48,416,169	41,261,975	40,604,868
Transportation and travel	31,706,681	33,774,536	71,485,018
Depreciation (Note 18)	34,087,802	32,469,016	34,345,476
Security services	8,954,672	8,830,194	6,246,144
Outside services	3,605,738	1,454,541	4,426,831
Repairs and maintenance	2,022,075	856,237	642,864
Communication and office supplies	338,254	301,434	304,376
Others	<u>1,433,545</u>	<u>13,122,798</u>	<u>5,697,370</u>
Total	₱ <u>241,598,842</u>	₱ <u>228,227,688</u>	₱ <u>260,126,859</u>

Others include software maintenance expense, insurance, and other consumable charges.

NOTE 27 – FINANCE AND OTHER INCOME, NET

For the years ended December 31, the account consists of:

Particulars	2021	2020	2019
Finance income (Note 12)	₱ 71,862	₱ 164,137	₱ 229,016
Finance costs (Note 20)	(2,629,721)	(3,504,758)	(2,726,765)
<i>Other income:</i>			
Miscellaneous	472,014	-	-
Other income	1,679,519	1,654,529	361,590
Subtotal	2,151,533	1,654,529	361,590
Finance and other income, net	₱ (406,326)	₱ (1,686,092)	₱ (2,136,159)

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 29).

Others include incidental income on trucking services.

NOTE 28 – GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, the account consists of:

Particulars	2021	2020	2019
Provision for credit losses (Notes 13)	₱ 224,507,563	₱ 1,518,129	₱ 874,729
Personnel costs	14,520,212	14,256,026	16,481,221
Communication and supplies	4,512,496	182,085	2,985,203
Taxes and licenses	3,814,240	2,141,474	2,441,001
Professional fees	3,066,538	2,667,013	1,633,904
Depreciation (Note 17)	2,644,414	1,594,678	1,498,023
Rent and utilities	1,128,035	1,029,262	1,289,101
Amortization of intangible assets (Note 18)	449,011	429,753	496,225
Entertainment	379,334	350,902	536,996
Insurance	85,887	110,748	134,776
Provision for impairment (Note 14)	69,804	1,450,757	-
Transportation and travel	680	5,006	68,859
Others	4,185,753	8,763,935	5,467,657
Total	₱ 259,363,967	₱ 34,499,768	₱ 33,907,695

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

NOTE 29 – 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	2021	2020
Current service cost	₱ 1,541,226	₱ 1,457,700
Interest cost	<u>494,856</u>	<u>389,141</u>
Total retirement expense	₱ <u>2,036,082</u>	₱ <u>1,846,841</u>

The details of the retirement obligation recognized in the consolidated financial position are as follows:

Particulars	2021	2020
Present value of benefit obligation	₱ 10,992,297	₱ 8,938,875
Fair value of plan assets	<u>(302,621)</u>	<u>(302,621)</u>
Liability recognized in the financial position	₱ <u>10,670,457</u>	₱ <u>8,636,254</u>

The changes in present value of retirement obligation are as follows:

Particulars	2021	2020
Present value of obligation at beginning of year	₱ 8,938,875	₱ 8,045,420
Current service cost	1,541,226	1,457,700
Interest cost on benefit obligation	512,197	405,440
Actuarial gain (loss)	-	-
Benefits paid	-	(297,241)
Write-off	-	<u>(672,444)</u>
Present value of obligation at end of year	₱ <u>10,992,298</u>	₱ <u>8,938,875</u>

The changes in the fair value of plan assets and actual return on plan assets are as follows:

Particulars	2021	2020
Fair value of plan assets at beginning of year	₱ 302,621	₱ 284,443
Expected return on plan assets	17,340	16,299
Actuarial gain (loss) on plan assets	1,879	1,879
Benefits paid	-	-
Fair value of plan assets at end of year	₱ <u>321,840</u>	₱ <u>302,621</u>

Movements in the net liability recognized in the current period are as follows:

Particulars	2021	2020
Liability recognized at beginning of the year	₱ 8,636,254	₱ 7,760,977
Retirement expense	2,036,082	1,846,841
Other comprehensive (income) loss	(1,879)	(1,879)
Benefits paid	-	(297,241)
Write-off	-	<u>(672,444)</u>
Liability recognized at end of the year	₱ <u>10,670,457</u>	₱ <u>8,636,254</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 29).

Particulars	2021	2020
Retirement benefits costs – OCI, beginning	₱ 8,907,499	₱ 8,905,620
Actuarial gain (loss) recognized	1,879	2,684
Deferred tax	(470)	(805)
Retirement benefits costs – OCI, ending	₱ 8,908,908	₱ 8,907,499
Percentage of ownership	51%	51%
Equity holders of parent	₱ 4,543,543	₱ 4,542,824

The major categories of plan assets are as follows:

Particulars	2021	2020
Cash and cash equivalents	₱ 79	₱ 79
Investment in Unit Investment Trust Funds	302,542	302,542
Total	₱ 302,621	₱ 302,621

The assumptions used to determine retirement benefits costs for the years ended December 31 are as follows:

Particulars	2021	2020
Discount rate	5.73%	5.73%
Salary increase rate	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, 2021 is as shown below:

	Sensitivity Level			
	1% Increase		1% Decrease	
	In %	Amount	In %	Amount
Impact on Net Defined Benefit Obligation				
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 2021, 2020 and 2019.

NOTE 30 - RELATED PARTY TRANSACTIONS

a. Due from/to related parties

In 2021, 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	2021	2020	2019
Short-term employee benefits	₱ <u>11,384,235</u>	₱ <u>10,691,978</u>	₱ <u>18,191,466</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, 2021 and 2020 are as follows:

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

Particulars	Terms and Conditions	Transactions		Outstanding Balance	
		2021	2020	2021	2020
Due from related parties:					
The Wellex Group, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ -	₱ (201)	₱ 5,258,409	₱ 5,258,409
Metro Combined Logistics, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	(10)	-	18,924	18,934
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	31,373	31,373
Total (Note 13)		₱ (10)	₱ (201)	₱ 5,308,706	₱ 5,308,716
Advances:					
Polymax (Note 15)	Represents 20% share investment in NPCA	₱ <u>229,354,835</u>	₱ <u>210,889,007</u>	₱ <u>347,720,000</u>	₱ <u>577,074,835</u>

Due to related parties:

Acesite (Phils.) Hotel Corporation	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ (5,627,202)	₱ -	₱ -	₱ 5,627,202
Philippine Estate Corporation	Secured, no impairment, no guarantee, interest bearing	6,522,409	268,260,352	274,782,761	268,260,352
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	14,284	26,756	695,497	681,213
Total (Note 22)		₱ 909,491	₱ 215,410,220	₱ 275,478,258	₱ 274,568,767

The Parent Company issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of P263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

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 P52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. (Note 21).

NOTE 31 – 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	2021	2020	2019
Net income loss attributable to equity holders of the Parent Company	₱ (165,082,448)	₱ 204,333	₱ 6,430,810
Weighted average number of common shares	306,122,449	306,122,449	306,122,449
Basic income per share	₱ (0.5393)	₱ 0.0007	₱ 0.0210

NOTE 32 – SIGNIFICANT COMMITMENTS
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Lease Agreements*As a lessor*

The rent income recognized by MCLSI, the operating subsidiary of the Parent Company, for the years ended December 31, 2021, 2020 and 2019 amounted to P44,117,096, P48,205,450 and P39,517,592, 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, 2021 is as follows:

Lessors	Beginning Balance	Additions	Interest	Payments (Principal and Interest)	Present Value (Year-end)
Chatellane Holding Co. Inc.	₱ 40,809,048	₱ 19,483,532	₱ 1,689,746	₱ 14,600,109	₱ 47,382,217
BF Holdings, Inc.	1,881,577	-	43,388	1,924,965	-
Filipinas Benson Industrial & Development Corporation	6,501,175	-	192,973	5,501,520	1,192,628
JB Realty and Development Corporation	13,176,847	-	506,285	7,223,861	1,459,272
VY Industrial Builders, Inc.	6,258,473	-	192,678	5,528,188	922,963
The Wellex Group, Inc.	234,976	-	4,651	180,000	59,627
	₱ 68,862,096	₱ 19,483,532	₱ 2,629,721	₱ 34,958,643	₱ 56,016,706

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
	₱ 75,085,611	₱ 23,207,815	₱ 3,504,758	₱ 32,936,088	₱ 68,862,096

As of December 31, 2021, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱53,968,678 (Note 17) and ₱56,016,706 (Note 20), respectively.

Consequently, the Group recognized depreciation expense and interest expense as reduction to the carrying amount of the asset and lease liability amounted to ₱31,573,080 (Note 17) and ₱2,629,721 (Note 27), respectively.

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 17) and ₱68,862,096 (Note 20), 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 17) and ₱3,504,758 (Note 27), 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 33 – OTHER MATTERS

I. Legal cases

As of December 31, 2021, 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, 2021, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.

b. Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18

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 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.

As at December 31, 2021, this is awaiting decision of the court.

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.

As of December 31, 2021, this is still awaiting the decision of the court.

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.

As of December 31, 2021, the case was referred to the Philippines Mediation Center for possible settlement discussion.

- 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.

II. Effect of the Reissuance of the Audited Financial Statements

The Group's cash flow statements for the years ended December 31, 2021, 2020, and 2019 were adjusted to correct the presentation of non-cash additions on the Right-of-use asset account in the "Acquisition of property and equipment" under Investing Activities, and the payments made on Lease liability in the "Payment of lease liability" under Financing activities.

The summary of corrections made to the cash flow statements are as follows:

Particulars	2021	December 31, 2020	2019
Investing activity			
Acquisition of property and equipment			
Amount per audited FS	(32,057,584)	(24,626,568)	(110,796,639)
Corrections/Adjustments	19,483,532	23,207,814	106,304,776
Adjusted amount	(12,574,052)	(1,418,754)	(4,491,863)
Financing activity			
Payment of lease liability			
Amount per audited FS	(12,845,390)	(6,223,515)	75,085,611
Corrections/Adjustments	(19,483,532)	(23,207,814)	(106,304,776)
Adjusted amount	(32,328,922)	(29,431,329)	(31,219,165)

NOTE 34 – SUBSEQUENT EVENTS

Continuing COVID-19 Pandemic

From March 29, 2021 to April 4, 2021, following the spike in the number of new COVID-19 cases, the Philippine Government has placed cities comprising the Greater Metro Manila Region (NCR, Bulacan, Rizal, Cavite and Laguna) back to Enhanced Community Quarantine and was later extended to April 11, 2021.

The scale and duration of these developments remain uncertain as at reporting date. The COVID-19 pandemic could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

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

The Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

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

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2021 on which we have rendered the attached report dated October 21, 2022. 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, 2021 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 July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-000-2021

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

SEC Accreditation No.0314-SEC, Group A

Issued on February 23, 2022

For the firm:


FELICIDAD A. ABAD

Partner

CPA Registration No. 25184, Valid until April 5, 2024

TIN No. 123-048-248-000

PTR No. 8852940, Issue Date: January 6, 2022, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-001-2021

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

SEC Accreditation No. 25184-SEC, Group A

Issued on February 23, 2022

Makati City, Philippines
October 21, 2022

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, 2021

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	-	₱ 40,440,630	₱ 40,440,630	₱ 71,862
Trade and other receivables, net	-	177,441,066	177,441,066	-
Refundable deposits	-	10,667,230	10,667,230	-
Subtotal		228,548,926	228,548,926	71,862
<i>Financial assets at FVOCI</i>				
Waterfront Philippines, Inc	-	6,610,200	6,610,200	-
Taguig Lake City Development	-	12,500,000	12,500,000	-
Others		87,285	87,285	
Subtotal		19,197,485	19,197,485	-
Total		₱ 247,746,411	₱ 247,746,411	₱ 71,862

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	Provision for expected credit losses (ECL)	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱ 577,074,835	(4,847,272)	(224,507,563)	-	-	347,720,000	347,720,000
The Wellex Parent Company, Inc	5,258,409	-	-	-	5,258,409	-	5,258,409
Metro Combined Logistics, Inc.	18,934	-	-	-	18,934	-	18,934
Others	31,373	-	-	-	31,373	-	31,373
Total	₱ 582,383,551	(4,847,272)	(224,507,563)	-	5,308,716	347,720,000	353,028,716

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	₱ 869,905	75,000	(449,011)	-	-	495,894

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	275,154,945

The Group issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of P263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. In 2021 and 2020, interest incurred amounted to ₱5,260,007.

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 guarantec
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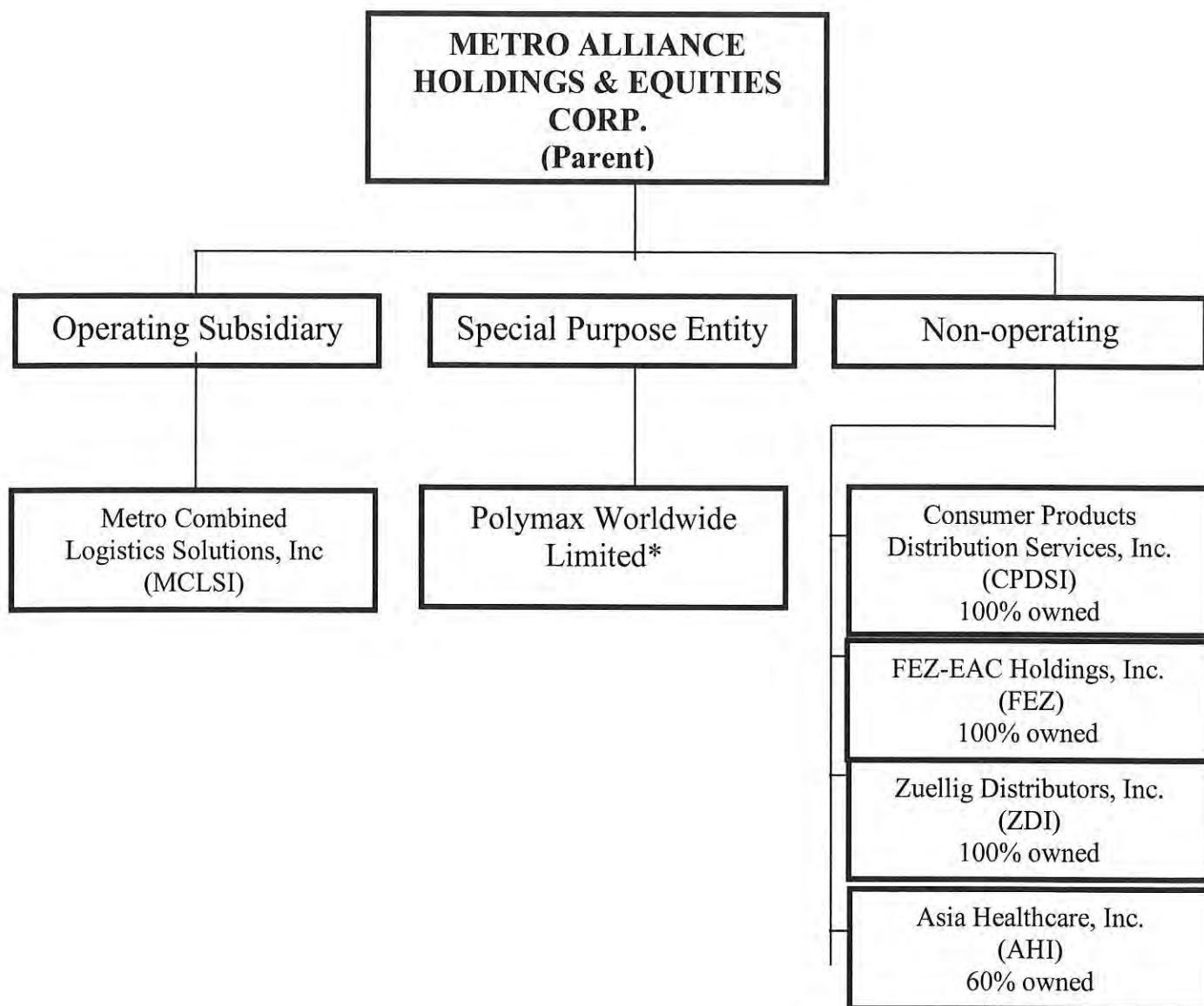
Not Applicable

SCHEDULE H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common – Class A	720,000,000	183,673,470	-	156,590,387	125,115	26,957,968
Common – Class B	480,000,000	122,448,979	-	85,139,552	22,001,000	15,308,427
Total	1,200,000,000	306,122,449	-	241,729,939	22,126,115	42,266,395

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

II. MAP OF THE RELATIONSHIP OF THE PARENT COMPANY WITHIN THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2021



*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

III. SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS REQUIRED BY SRC RULE ANNEX 68-D FOR THE YEAR ENDED DECEMBER 31, 2021

Items	2021	2020
Unappropriated Retained Earnings, beginning	₱ (95,849,020)	₱ (91,359,887)
Adjustments:		
Expired unutilized Deferred MCIT	-	(3,010)
Dividends declared/paid during the year	-	-
Unappropriated Retained Earnings, as adjusted, beginning	(95,849,020)	(91,362,897)
Net Loss based on the face of AFS	(175,291,795)	(4,773,523)
Less: Non-actual/unrealized income net of tax		
• Equity in net income/(loss) of associate/joint venture	-	-
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	-
• Unrealized actuarial gain	-	-
• Fair value adjustment (M2M gains)	-	-
• Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	-	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	1,724,400	287,400
Add: Non-actual losses		
• Depreciation on revaluation increment (after tax)	-	-
• Adjustment due to deviation from PFRS/GAAP – loss	-	-
• Loss on fair value adjustment of investment property (after tax)	-	-
FMV gain/(loss) transferred to equity as a result of disposal of equity investment at FVOCI	-	-
Gain/(loss) from disposal of financial assets at FVOCI	-	-
Net Income Actual/Realized	-	-
Unappropriated Retained Earnings, as adjusted, ending	₱ (269,416,415)	₱ (95,849,020)

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

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

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

We have audited in accordance with Philippine Standards Auditing, the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2021 and 2020. 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, 2021, 2020 and 2019 and no material exceptions were noted.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

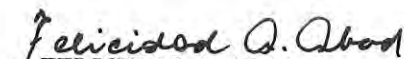
BIR Accreditation No. 08-002126-000-2021

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

SEC Accreditation No.0314-SEC, Group A

Issued on February 23, 2022

For the firm:


FELICIDAD A. ABAD

Partner

CPA Registration No. 25184, Valid until April 5, 2024

TIN No. 123-048-248-000

PTR No. 8852940, Issue Date: January 6, 2022, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-001-2021

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

SEC Accreditation No. 25184-SEC, Group A

Issued on February 23, 2022

Makati City, Philippines
October 21, 2022

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATIONIV. SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS REQUIRED BY REVISED SRC
RULE ANNEX 68-E FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Financial Ratios</u>	<u>Formula</u>	<u>2021</u>	<u>2020</u>
Current / liquidity ratio	Current assets over current liabilities	0.74	0.68
Acid test ratio	Cash plus receivables plus marketable securities over current liabilities	0.71	0.61
Asset to equity ratio	Total asset over total equity	-67.61	6.20
Net debt to equity ratio	Total liabilities less cash and cash equivalents over total equity	-64.93	4.97
Debt-to-equity ratio	Total liabilities over total equity	-68.61	5.20
Solvency ratio	After tax net profit plus depreciation over total liabilities	-0.16	0.06
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	2.96	1.64
Gross profit margin	Gross profit over net revenues	17.67%	16.60%
Net income margin	Net income over net revenues	-53.46	1.74%

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

M	E	T	R	O		A	L	L	I	A	N	C	E		H	O	L	D	I	N	G	S		&				
E	Q	U	I	T	I	E	S		C	O	R	P	.															

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

3	5	T	H		F	L	R.		O	N	E		C	O	R	P	O	R	A	T	E		C	E	N	T	E	R	
D	O	Ñ	A		J	U	L	I	A		V	A	R	G	A	S		C	O	R.		M	E	R	A	L	C	O	
A	V	E	S.		O	R	T	I	G	A	S		C	E	N	T	E	R		P	A	S	I	G		C	I	T	Y

Form Type

	A	A	F	S	
--	---	---	---	---	--

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

metro.alliance@yahoo.com
--

Company's Telephone Number

8706-7888

Mobile Number

--

No. of Stockholders

789

Annual Meeting (Month / Day)

Any business day of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Nestor S. Romulo

Email Address

nestor_romulo@yahoo.com
--

Telephone Number/s

(632) 8706 7888

Mobile Number

--

CONTACT PERSON'S ADDRESS

35TH FLR. ONE CORPORATE CENTER, DONA JULIA VARGAS COR. MERALCO AVES., ORTIGAS CENTER, PASIG CITY
--

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled up. Failure to do so shall cause 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.

Submission of Amended ITR**Your BIR AFS eSubmission uploads were received**

From: eafs@bir.gov.ph

To: metro.alliance@yahoo.com

Cc: metro.alliance@yahoo.com

Date: Monday, May 16, 2022, 02:47 PM GMT+8

Hi METRO ALLIANCE HOLDINGS & EQUITIES CORP,

Valid files

- EAFS000130411RPTTY122021.pdf
- EAFS000130411OTHTY122021.pdf
- EAFS000130411ITRTY122021.pdf
- EAFS000130411AFSTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-DFEACCE02ZVVYMXMNSW14X03RSYRNTZ**Submission Date/Time: **May 16, 2022 02:31 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.

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METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

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

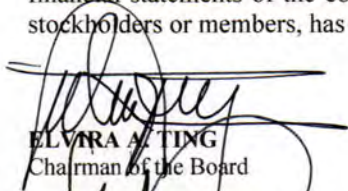
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended **December 31, 2021** and **2020**, in accordance with the prescribed financial reporting framework 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.

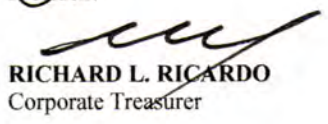
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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
Resident



RICHARD L. RICARDO
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in **QUEZON CITY** City/Province, Philippines on **MAY 13 2022**
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: 95 :
PAGE NO: 19 :
BOOK NO: XV XVII
SERIES OF WA


ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C. Until Dec. 31, 2023
Roll No. 50183
PTR No. 2454359D/Jan. 03, 2022/Q.C.
IBP No. 183888, Jan. 31, 2022
MCLE COMP. NO. VII-0006924
Adm Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanan Vill. East Fairview Q.C.
TEL NO. 138-541-197-000

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**

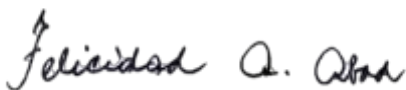
The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have examined the Parent financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** for the year ended December 31, 2021, on which we have rendered the attached report dated May 12, 2022.

In compliance with SRC Rule 68, we are stating that the Parent Company has seven hundred fifty-five (755) stockholders owning one hundred (100) or more shares each as of December 31, 2021.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-000-2021
Issued on March 19, 2021, Valid until March 18, 2024
SEC Accreditation No.0314-SEC, Group A
Issued on February 23, 2022

For the firm:



FELICIDAD A. ABAD
Partner
CPA Registration No. 25184, Valid until April 5, 2024
TIN No. 123-048-248-000
PTR No. 8852940, Issue Date: January 6, 2022, Makati City
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-001-2021
Issued on March 19, 2021, Valid until March 18, 2024
SEC Accreditation No. 25184-SEC, Group A
Issued on February 23, 2022

Makati City, Philippines
May 12, 2022

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the Parent financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of 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 financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as of December 31, 2021 and 2020 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

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 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.

Those charged with governance are responsible for overseeing the 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.

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 July 29, 2021, Valid until July 14, 2024

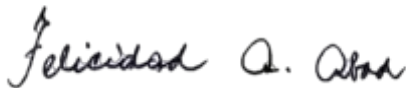
BIR Accreditation No. 08-002126-000-2021

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SEC Accreditation No.0314-SEC, Group A

Issued on February 23, 2022

For the firm:



FELICIDAD A. ABAD

Partner

CPA Registration No. 25184, Valid until April 5, 2024

TIN No. 123-048-248-000

PTR No. 8852940, Issue Date: January 6, 2022, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-001-2021

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

SEC Accreditation No. 25184-SEC, Group A

Issued on February 23, 2022

Makati City, Philippines

May 12, 2022

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)

ASSETS	Note	December 31, <i>(As restated)</i>	
		2021	2020
CURRENT ASSETS			
Cash	9	431,692	165,900
Prepayments and other current assets	10	251,908	135,789
Total current assets		683,600	301,689
NON-CURRENT ASSETS			
Advances to related parties, net	11	347,720,000	577,074,835
Equity instrument at fair value through other comprehensive income	12	19,110,200	20,834,600
Investment in subsidiaries	13	18,640,500	18,640,500
Property and equipment, net	14	58,165	232,660
Deferred tax asset	15	56,507,396	363,268
Total non-current assets		442,036,261	617,145,863
TOTAL ASSETS		442,719,861	617,447,552
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other liabilities	16	791,863	1,122,966
NON CURRENT LIABILITIES			
Non-current portion of accrued liability	16	123,438,803	123,438,803
Advances from related parties	17	275,282,761	274,387,554
Total liabilities		399,513,427	398,949,323
EQUITY			
Share capital	20	306,122,449	306,122,449
Additional paid-in capital	20	3,571,923	3,571,923
Fair value reserve	12	2,928,477	4,652,877
Cumulative deficit	21	(269,416,415)	(95,849,020)
Total equity		43,206,434	218,498,229
TOTAL LIABILITIES AND EQUITY		442,719,861	617,447,552

See Notes to Parent Company Financial Statements

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

For the Years Ended December 31,	Note	2021	2020
REVENUES		-	-
GENERAL AND ADMINISTRATIVE EXPENSES	23	<u>229,706,992</u>	<u>5,505,485</u>
OPERATING LOSS		(229,706,992)	(5,505,485)
OTHER INCOME (EXPENSE), NET	24	<u>(4,532)</u>	<u>666,467</u>
NET LOSS BEFORE TAX		(229,711,524)	(4,839,018)
INCOME TAX BENEFIT	18	<u>56,144,129</u>	<u>352,895</u>
NET LOSS		(173,567,395)	(4,486,123)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on equity investment	12	(1,724,400)	(287,400)
TOTAL COMPREHENSIVE LOSS		<u>(175,291,795)</u>	<u>(4,773,523)</u>

See Notes to Parent Company Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Notes	2021	<i>(As Restated)</i> 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before tax		(229,711,524)	(4,839,018)
Adjustments for:			
Depreciation	14	174,495	175,074
Provision for expected credit losses	11	224,507,563	-
Provision for impairment	11, 23	-	1,450,756
Written-off accrued retirement benefit	19	-	(672,444)
Interest expense	23	4,651	6,359
Interest income	18	(119)	(382)
Operating loss before working capital changes		(5,024,934)	(3,879,655)
Changes in assets and liabilities:			
Trade and other receivables		-	(1,415,622)
Prepayments and other current assets		(56,260,247)	982,225
Accrued expenses and other liabilities		55,753,399	286,143
Net cash from operating activities		(5,531,782)	(4,026,909)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional advances to related party	11	-	(210,889,007)
Collection of advances from related party	17	4,847,272	-
Interest received	18	119	382
Net cash from investing activities		4,847,391	(210,888,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional advances from related parties	17	895,207	215,384,664
Interest paid	23	(4,651)	(6,359)
Payment of principal portion of lease liability	25	59,627	(522,631)
Net cash from financing activities		950,183	214,855,674
NET INCREASE (DECREASE) IN CASH		265,792	(59,860)
CASH, BEGINNING	9	165,900	225,760
CASH, ENDING	9	431,692	165,900

See Notes to Parent Company Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

		December 31,	
	Notes	2021	2020
CAPITAL STOCK			
Class "A"	20	183,673,470	183,673,470
Class "B"	20	<u>122,448,979</u>	<u>122,448,979</u>
Balance at end of year		<u>306,122,449</u>	<u>306,122,449</u>
ADDITIONAL PAID-IN-CAPITAL	20	<u>3,571,923</u>	<u>3,571,923</u>
FAIR VALUE RESERVE			
Balance at beginning of year	12	4,652,877	4,940,277
Other comprehensive gain (loss)	12	<u>(1,724,400)</u>	<u>(287,400)</u>
Balance at end of year		<u>2,928,477</u>	<u>4,652,877</u>
CUMULATIVE DEFICIT			
Balance at beginning of year	21	(95,849,020)	(91,359,887)
Expired unutilized deferred MCIT	10, 21	-	(3,010)
Net loss	21	<u>(173,567,395)</u>	<u>(4,486,123)</u>
Balance at end of year		<u>(269,416,415)</u>	<u>(95,849,020)</u>
TOTAL EQUITY		<u>43,206,434</u>	<u>218,498,229</u>

See Notes to Parent Company Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

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

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, 2021 were authorized for issue by the Board of Directors (BOD) on May 12, 2022.

NOTE 2 – STATUS OF OPERATIONS

2.1 Going Concern

The accompanying Parent Company financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As of December 31, 2021 and 2020, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱347.7 million and ₱577.1 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 11, 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 2021 and 2020, the Parent Company was able to collect partially their advances from Polymax amounting to ₱11,369,681 and ₱57,371,345, 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. This, coupled with the perceived inability of our Iranian partners to manage the business properly, has resulted in the closure of the Bataan polyethylene plant. In order to protect the Parent Company's interests, the Parent Company filed legal suits against its partners in NPCAC in order to establish full accountability. Among the other options the Parent Company have presented to the 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. Under the oversight of the Regional Trial Court, the Parent Company opted to discuss the options with the Iranians via the mediation and judicial arbitration processes, and the Parent Company is still hopeful that the parties can arrive at a quick and acceptable solution to the matter at the soonest time.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. The pandemic, however, has forced the Parent Company to reevaluate its operational costs in order to remain competitive in the logistics industry. As a means of diversification, 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 devoted to regain its status as a going concern. In line with this, the Parent Company reiterate 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 Omicron variant and the limited 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 ₱ 347,720,000 as of December 31, 2021

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

In 2021, provision for expected credit losses amounting to ₱225 million was recognized in compliance with the requirements of PFRS 9.

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 11.

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 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, 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 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 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 Basis of preparation

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

Judgments are made by the management in the development, selection and disclosure of the Parent Company's 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 financial statements and their effects are disclosed in Note 5.

3.5 Adoption of new and revised accounting standards

New and Amended Accounting Standards Effective in 2021

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 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)”.

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 Parent Company 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.

New and Amended Standards Effective Subsequent to 2021 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2021 are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new pronouncements to have a significant impact on the financial statements.

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 Parent Company is still assessing the impact of the preceding amendments to the 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 PAS 1, 'Presentation of financial statements', PFRS Practice statement 2 and PAS 8, 'Accounting policies, changes in accounting estimates and errors' - The amendment require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. On the other hand, the amendment to PAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments should help companies:

- to improve accounting policy disclosures, either by making the disclosures more specific to the entity or by reducing generic disclosures that are commonly understood applications of IFRS; and
- to distinguish changes in accounting estimates from changes in accounting policies.

These amendments are not expected to have a significant impact on the preparation of financial statements.

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 Parent Company is still assessing the impact of the preceding amendments to the 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 Company 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 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 financial statements.

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.

“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 Company 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 Company 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 Company determines the appropriate method of recognizing the “Day 1” difference.

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, 2021 and 2020, the Parent Company’s cash, trade and other receivables, and advances to a related party 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, 2021 and 2020, 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, 2021 and 2020, 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 Receivables

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.

Receivables are measured at the transaction price determined under PFRS 15 (*refer to the accounting policies for Revenue from contract with customers*). Accounts 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.

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 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 Revenue recognition

Revenue from contract with customers

Revenue from contract with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods or services. The Company applies this standard with its revenue arrangements on the holding business interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics..

To determine whether to recognize revenue, the Company follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party’s rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract; and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contract with customers are disclosed in Note 4.

Other income

Other income is recognized in the statements of comprehensive income as they are earned.

Interest income

Interest income is recognized using effective interest accrues using effective interest method.

Contract balances

Receivable from Customers

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Company performs under the contract.

4.17 Cost and expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Costs and expenses are recognized in profit or loss in the separate statements of comprehensive income:

- on the basis of a 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 can only be broadly or indirectly determined; or
- immediately when expenditures produce 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 statement of financial position as an asset.

Operating expenses

Selling expenses are costs incurred to sell or distribute inventories. Administrative expenses normally include costs of administering the business as incurred by administrative departments. Other operating expenses are costs incurred other than for selling or administrative purposes.

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

4.18 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.

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4.19 Retirement benefits cost

Employee benefits are all forms of considerations given by the Company 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 Company'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 Company 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 Company. The Company's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the statement of financial position for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the financial reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate 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 the related pension liability.

The cost of providing benefits under the defined benefits plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- a. service cost
- b. net interest on the net defined benefit liability or asset
- c. remeasurement of net defined benefit liability or asset

Service cost which include current service costs, past service costs and gains or losses on non-routine settlement are recognized as expense in the statement of comprehensive 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 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 comprehensive income.

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

Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

4.20 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.

4.21 Income taxes

Current income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially 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 income taxes

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial 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 liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the regular income tax and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT and unused NOLCO 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 the end of 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.

4.22 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.

For sale of real estates including house and lots and other residential dwellings with a selling price of not more than ₱3,199,200, a tax exemption applies.

Output tax pertains to the 12% VAT received or receivable on the local sale of goods or services by the Company. Input tax pertains to the 12% VAT paid or payable by the Company 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 'prepayments and other current assets' or 'accounts and other payables' in the statements of financial position.

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.

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with PFRS requires the Company'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

(a) Going concern

As of December 31, 2021 and 2020, the Parent Company's management has made an assessment on the Company'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 Company 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 Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Determination of functional currency

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

(c) Fair value measurements

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company 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.

(d) Classification of financial instruments

The Parent Company manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(e) Assessing significant influence and control over investee.

The Company 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.

(f) Revenue recognition from contracts with customers

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the (a) identification of the contract for sale of services that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; and (c) determining the timing of satisfaction of the performance obligation.

(g) Identification of the contract

The Parent Company's primary document for a contract with a customer is a signed contract. It has determined however, that in cases wherein contracts to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with customer under PFRS 15.

In addition, part of the assessment of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for its services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers the significance if the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

(h) Determining performance obligation

With respect to its business, the Parent Company concluded that the transfer of services in each contract constitute a performance obligation. In particular, the promised services in contracts for holding interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics mainly include holding stock or membership interests in other companies. Generally, the Company is responsible for all of these services and the overall management of the project. Although these services are capable of being distinct in the context contract.

The Company uses those services as inputs and provides a significant service of integrating them into a combined output.

(i) Determining the timing of satisfaction of the performance obligation

The Parent Company concluded that revenue from contracts with customers is to be recognized at a point in time since it does not fall within any of the following conditions to be met for a recognition over a period of time:

- (a) The customer receives and consumes the benefits of the goods or services as they are provided by the Company;
- (b) the Company's performance does not create an asset with an alternative use and;
- (c) the goods or services create or enhances an asset that the customer controls as that asset is created and enhanced.

The promised services are specifically identified in the contract. In addition, the customer is contractually obliged to make payments to the seller upon performance of services.

(j) Determination whether an arrangement 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.

(k) Accounting for lease commitments

Company as lessee

The Parent Company entered into a lease agreement with The Wellex Group, Inc. for a business space on the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 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.

Leases are further disclosed in Notes 25.

(l) 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.

(m) 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 financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below:

(a) 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 ₱19,110,200 and ₱20,834,600 as of December 31, 2021 and 2020, respectively (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 2021 and 2020 (see Note 13). No additional impairment was recognized in the books in 2021 and 2020.

(c) Assessing ECL on financial assets

The Parent Company applies the general approach in measuring the ECL. For cash in banks, the Parent Company assessed that cash is deposited with reputable banks that possess good credit ratings. For advances to related parties, the Company considers the financial capacity of the counterparty. In 2021, provision for estimated credit losses on trade and other receivables and advances to related party was recognized in compliance with the requirements of PFRS 9. No ECL was recognized in 2020. The carrying amounts of the Company's financial assets are as follows:

	Note	2021	2020
Cash in banks	9	₱ 406,692	₱ 140,900
Advances to related parties	11	347,720,000	577,074,835

(d) Allowance for credit losses of receivables

The Parent Company reviews the carrying amounts of due from related parties, due to related parties, as well as trades and other receivables and advances to Polymax at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Advances to Polymax amounting to ₱347.7 million and ₱577.1 million as of December 31, 2021 and 2020, respectively, constitutes 79% and 93% of the Parent Company's total assets in 2021 and 2020, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, 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 11).

In 2021, provision for estimated credit losses on advances to related party was recognized in compliance with the requirements of PFRS 9. Allowance for estimated credit losses on advances to subsidiary amounted to ₱148 million for years ended December 31, 2021 and 2020. No write-off and recoveries were recognized by the Company as of December 31, 2021 and 2020.

(e) Estimating residual values and useful lives of property and equipment

The Parent Company estimates residual values and 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 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 assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded expenses and decrease non-current assets.

The carrying amounts of property and equipment amounted to ₱58,165 and ₱232,660 as of December 31, 2021, and 2020, respectively (Note 14). Useful lives of property and equipment is disclosed in Note 4.11.

(f) Estimating impairment losses on property and equipment

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

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

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

The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing impairment, assets are assessed at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to statements of loss if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. There was no provision for impairment loss on property and equipment recognized in 2021 and 2020.

(g) Estimating allowance for impairment losses on non-financial assets (except property and equipment)

The Parent Company provides allowance for impairment losses on non-financial assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease related assets.

Creditable withholding taxes and input taxes totaling ₱12,757,572 and ₱12,641,452 as of December 31, 2021 and 2020, respectively, were provided with ₱12,641,452 allowance for probable losses for both years (Note 10).

There was no indication of impairment noted on the Parent Company's non-financial assets in 2021 and 2020.

(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 2021 and 2020, the Parent Company's determined incremental rate used to compute the carrying value of lease liability amounting to ₱59,627 and ₱234,976, respectively, is 3% (Note 16).

(i) Assessing 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 ₱11.2 million and ₱8.5 million, as of December 31, 2021 and 2020, 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).

(j) 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.

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).

4.3 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 3.

NOTE 6 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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	2021			2020		
	Neither Past Due nor Impaired		Total	Neither Past Due nor Impaired		Total
	High Grade	Standard Grade		High Grade	Standard Grade	
Financial assets at amortized cost						
Cash*	₱ 406,692	₱ -	₱ 406,692	₱ 140,900	₱ -	₱ 140,900
Receivables	-	-	-	-	-	-
Advances to related parties	347,720,000	-	347,720,000	577,074,835	-	577,074,835
Total financial assets at amortized cost	₱ 348,126,692	₱ -	₱ 348,126,692	577,215,735	₱ -	₱ 577,215,735
Equity instruments at FVOCI	19,110,200	-	19,110,200	20,834,600	-	20,834,600
Total	₱ 19,516,892	₱ -	₱ 19,516,892	₱ 20,975,500	₱ -	₱ 20,975,500

*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	2021			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost				
Cash*	₱ 406,692	₱ -	₱ -	₱ 406,692
Receivables	-	-	-	-
Advances to related parties	347,720,000	-	-	347,720,000
Subtotal	348,126,692	-	-	348,126,692
Equity investments at FVOCI	-	-	19,110,200	19,110,200
Total	348,126,692	-	19,110,200	367,236,892
Financial Liabilities				
Due to related parties	₱ -	₱ -	₱ 275,282,761	₱ 275,282,761
Accrued expenses and other liabilities**	-	479,223	123,438,803	123,918,026
Total	-	479,223	398,721,564	399,200,787
Net Position	₱ 348,126,692	₱ (479,223)	₱ (379,611,364)	₱ (31,963,895)

*Excludes cash on hand

**Excludes dues to government liabilities

Particulars	2020			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost				
Cash*	₱ 140,900	₱ -	₱ -	₱ 140,900
Receivables	-	-	-	-
Advances to related parties	<u>577,074,835</u>	-	-	<u>577,074,835</u>
Subtotal	<u>577,215,735</u>	-	-	<u>577,215,735</u>
Equity investments at FVOCI	-	-	<u>20,834,600</u>	<u>20,834,600</u>
Total	<u>577,215,735</u>	-	<u>20,834,600</u>	<u>598,050,335</u>
Financial Liabilities				
Due to related parties	₱ -	₱ -	₱ 274,387,554	₱ 274,387,554
Accrued expenses and other liabilities**	-	<u>811,576</u>	<u>123,438,803</u>	<u>124,250,379</u>
Total	-	<u>811,576</u>	<u>397,826,357</u>	<u>398,637,933</u>
Net Position	₱ <u>577,215,735</u>	₱ <u>(811,576)</u>	₱ <u>(376,991,757)</u>	₱ <u>199,412,402</u>

*Excludes cash on hand
**Excludes dues to government liabilities

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	2021	2020
Share capital	₱ 306,122,449	₱ 306,122,449
Additional paid-in capital	<u>3,571,923</u>	<u>3,571,923</u>
Deficit	<u>(269,433,866)</u>	<u>(95,849,020)</u>
Total	₱ <u>40,260,506</u>	₱ <u>213,845,352</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, 2021 and 2020:

Particulars	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash*	₱ 406,692	₱ 406,692	₱ 140,900	₱ 140,900
Receivables	-	-	-	-
Advances to related parties	347,720,000	347,720,000	577,074,835	577,074,835
Equity investments at FVOCI	19,110,200	19,110,200	20,834,600	20,834,600
Total	₱ <u>367,236,892</u>	₱ <u>367,236,892</u>	₱ <u>598,050,335</u>	₱ <u>598,050,335</u>
Financial Liabilities				
Due to related parties	275,282,761	275,282,761	274,387,554	274,387,554
Accrued expenses and other current liabilities**	123,918,026	123,918,026	124,250,379	124,250,379
Total	₱ <u>399,200,787</u>	₱ <u>399,200,787</u>	₱ <u>398,637,933</u>	₱ <u>398,637,933</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	2021		2020	
	Level 1	Level 3	Level 1	Level 3
Equity investments at FVOCI	₱ 6,610,200	₱ 12,500,000	₱ 8,334,600	₱ 12,500,000
Total	₱ <u>6,610,200</u>	₱ <u>12,500,000</u>	₱ <u>8,334,600</u>	₱ <u>12,500,000</u>

There had been no transfers between Level 1 and Level 3 for the years ended December 31, 2021 and 2020.

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

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Petty cash	₱ 25,000	₱ 25,000
Cash in bank	<u>406,692</u>	<u>140,900</u>
Total	₱ <u>431,692</u>	₱ <u>165,900</u>

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

NOTE 10 – PREPAYMENTS AND OTHER CURRENT ASSETS

As at December 31, the account consists of:

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Creditable withholding taxes	₱ 7,721,700	₱ 7,721,700
Input taxes (Note 27)	5,035,871	4,919,752
Prepaid income tax (Note 18)	<u>135,789</u>	<u>135,789</u>
Total	12,893,360	12,777,241
Less: Allowance for probable losses	<u>(12,641,452)</u>	<u>(12,641,452)</u>
Net realizable value	₱ <u>251,908</u>	₱ <u>135,789</u>

A reconciliation of allowance for probable losses is shown below:

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	₱ 12,641,452	₱ 11,190,696
Provision for impairment (Note 23)	<u>-</u>	<u>1,450,756</u>
Balance at the end of the year	₱ <u>12,641,452</u>	₱ <u>12,641,452</u>

NOTE 11 – ADVANCES TO RELATED PARTIES, NET

As of December 31, the account consists of the following

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Advances to Polymax	₱ 572,227,563	₱ 577,074,835
Advances to CPDSI	<u>147,858,883</u>	<u>147,823,657</u>
Total (Note 22)	720,086,446	724,898,492
Less: Allowance for impairment / expected credit losses	<u>372,366,446</u>	<u>147,823,657</u>
Net	₱ <u>347,720,000</u>	₱ <u>577,074,835</u>

Advances amounting to ₱347,720,000 and ₱577,074,835, which constitutes 79% and 93% of the Parent Company's total assets as of December 31, 2021 and 2020, 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, comfort letters dated April 10, 2015 and March 5, 2018 were 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 2021 and 2020, the Company made additional collections of the advances from Polymax amounting to ₱11,369,681 and ₱57,371,345, respectively.

The advances to Consumer Products Distribution Services, Inc. (CPDSI) is unsecured and non-interest bearing.

In 2021, provision for estimated credit losses on Advances to Polymax was recognized in compliance with the requirements of PFRS 9.

A reconciliation of allowances for impairment and credit losses of receivables is shown below:

Particulars	2021	2020
Balance at the beginning of the year	₱ 147,823,657	₱ 147,823,657
Provision for credit losses - Polymax	224,507,563	-
Provisions for impairment – CPDSI	35,226	-
Balance at the end of the year	₱ 372,366,446	₱ 147,823,657

Reclassification of Advances to Polymax

In 2021 and 2020, the account was reclassified from Asset Held for Sale due to its nature of account. The reclassification has no effect in the retained earnings or cumulative deficit.

NOTE 12 – EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

As of December 31, 2021, the equity investments at FVOCI consist of:

Particulars	Fair Value	Acquisition Cost	Accumulated Unrealized gain	Allowance for impairment
Equity securities:				
Traded	₱ 6,610,200	₱ 3,681,723	₱ 2,928,477	₱ -
Non-traded	12,500,000	12,500,000	-	-
Total	₱ 19,110,200	₱ 16,181,723	2,928,477	₱ -

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

Particulars	Fair Value	Acquisition Cost	Accumulated Unrealized gain	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>

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	2021	2020
Beginning balance, at fair value	₱ 20,834,600	₱ 21,122,000
Fair value gain (loss) for the year	<u>(1,724,400)</u>	<u>(287,400)</u>
Total	₱ <u>19,110,200</u>	₱ <u>20,834,600</u>

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

Particulars	2021	2020
Beginning balance	₱ 4,652,877	₱ 4,940,277
Fair value gain (loss) for the year	<u>(1,724,400)</u>	<u>(287,400)</u>
Total	₱ <u>2,928,477</u>	₱ <u>4,652,877</u>

NOTE 13 – INVESTMENT IN SUBSIDIARIES

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

Particulars	2021	2020
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)	<u>50,000,000</u>	<u>50,000,000</u>
Total	647,976,305	647,976,305
Less: Allowance for impairment	<u>(629,335,805)</u>	<u>(629,335,805)</u>
Net realizable value	₱ <u>18,640,500</u>	₱ <u>18,640,500</u>

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	
			2021	2020
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 14 – PROPERTY AND EQUIPMENT, NET

The movement of property and equipment are summarized below as of December 31, 2021:

Particulars	Balance, Beginning	Additions	Disposal/ Reclassification	Balance, Ending
Cost:				
Computer equipment	₱ 84,545	₱ -	₱ -	₱ 84,545
Right-of-use asset	583,966	-	-	583,966
Total	668,511	₱ -	₱ -	668,511
Accumulated depreciation:				
Computer equipment	84,545	-	-	84,545
Right-of-use asset	351,306	174,495	-	525,801
Total	435,851	₱ 174,495	₱ -	610,346
Net book value	₱ 232,660			₱ 58,165

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 Company elected to use the cost model in accounting for property and equipment. They also believed that the carrying amount of its property and equipment during the year are not impaired.

Depreciation charged in the statements of income for the years ended December 31, 2021 and 2020 amounted to ₱174,495 and ₱175,074 (Note 23), respectively.

None of the properties were pledged or mortgaged as collateral to secure any of the Company's loans.

NOTE 15 – DEFERRED TAX ASSETS

As of December 31, 2021, deferred tax asset consists of:

	Tax Base			Tax Rate	Tax Effect		
	Beginning balance	Movement	Ending balance		Beginning balance	Movement	Ending balance
Net deferred tax on leases	₱ 2,316	₱ (854)	₱ 1,462	25%	₱ 579	₱ (214)	₱ 365
Provision for impairment	1,450,756	69,804	1,520,560	25%	362,689	17,451	380,140
Provision for credit losses	-	224,507,563	224,507,563	25%	-	56,126,891	56,126,891
Total	₱ 1,453,072	₱ 224,576,513	₱ 226,029,585		₱ 363,268	₱ 56,144,128	₱ 56,507,396

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

	Tax Base			Tax Rate	Tax Effect		
	Beginning balance	Movement	Ending balance		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

NOTE 16 – ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

Particulars	2021	2020
Current portion		
Trade payables	₱ 31,596	₱ -
Accrued expenses	388,000	576,600
Lease liability (Note 25)	59,627	234,976
Other current liabilities	312,640	311,390
Subtotal	791,863	1,122,966
Non-current portion		
Accrued expenses	123,438,803	123,438,803
Total	₱ 124,230,666	₱ 124,561,769

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	2021	2020
<i>Due to Affiliate</i>		
Acesite (Phils.) Hotel Corporation	₱ -	₱ 5,627,202
Philippine Estate Corporation	274,782,761	<u>268,260,352</u>
Subtotal	<u>274,782,761</u>	<u>273,887,554</u>
<i>Due to Subsidiaries</i>		
Consumer Products Distribution Services	233,342,805	233,342,805
FEZ-EAC Holding Inc.	30,078,688	30,078,688
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>291,367,746</u>
Valuation allowance for impairment	<u>(290,867,746)</u>	<u>(290,867,746)</u>
Subtotal	<u>500,000</u>	<u>500,000</u>
Total (Note 22)	₱ <u>275,282,761</u>	₱ <u>274,387,554</u>

The Parent Company issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of ₱263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. In 2021 and 2020, interest incurred amounted to ₱5,260,007.

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 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	2021	2020
Net loss	₱ <u>(229,711,524)</u>	₱ <u>(4,839,018)</u>
Permanent differences:		
Non-deductible expenses and losses	-	14,439
Interest income subjected to final tax	(119)	(382)
Temporary differences:		
Provision for expected credit losses	224,507,563	-
Provision for impairment	69,804	1,450,756
Deferred income on leases	(854)	1,433
Taxable income (NOLCO)	(5,135,130)	(3,372,772)
Applicable tax rate	25.0%	27.5%
Current tax expense	₱ <u>-</u>	₱ <u>-</u>
Deferred tax income (Note 15)	₱ <u>56,144,129</u>	(363,003)
Income tax benefit	₱ <u><u>56,144,129</u></u>	<u>(352,895)</u>

The MCIT is computed as follows:

Particulars	2021	2020
Revenues	₱ -	₱ -
Cost of sales and services	-	-
Gross income	-	-
Other income	-	673,877
Total	-	673,877
MCIT rate	1.0%	1.5%
MCIT Due	₱ <u><u>-</u></u>	₱ <u><u>10,108</u></u>

In 2021, 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. In 2020, MCIT is higher than Normal Corporate Income Tax, hence it is the basis of the Company's tax due for 2020.

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

Particulars	2021	2020
Income tax payable for the year	₱ -	₱ 10,108
Prior year excess tax credits	(135,789)	(145,897)
Payments made during the year	-	-
Creditable withholding tax	-	-
Income tax still payable (overpayment) (Note 10)	₱ <u><u>(135,789)</u></u>	₱ <u><u>(135,789)</u></u>

Deferred income tax assets of ₱2,794,436 and ₱2,121,797 as of December 31, 2021 and 2020, respectively, have not been recognized 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 NOLCO may be utilized.

Total NOLCO amounted to ₱13,725,091 and ₱8,487,187 for the years ended December 31, 2021 and 2020, respectively.

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

<u>Year incurred</u>	<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Balance</u>	<u>Expiry date</u>
2021	₱ 5,237,904	₱ -	₱ -	₱ 5,237,904	2026
2020	3,372,772	-	-	3,372,772	2025
2019	2,566,767	-	-	2,566,767	2022
2018	<u>2,547,648</u>	-	<u>2,547,648</u>	-	2021
Total	₱ <u>13,725,091</u>	₱ -	₱ <u>2,547,648</u>	₱ <u>11,177,443</u>	

NOTE 19 – RETIREMENT BENEFIT PAYABLE

The Parent Company's retirement benefit obligation under RA No. 7641 amounted to nil as of December 31, 2021 and 2020. 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.

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Present value of benefit obligation	₱ -	₱ 969,685
Current service cost	-	-
Benefits paid	-	(297,241)
Write-off	-	(672,444)
Liability recognized in the balance sheet	₱ -	₱ -

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 20 – SHARE CAPITAL

The Parent Company's capital stock as of December 31, 2021 and 2020 consists of the following common shares:

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Authorized		
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	<u>480,000,000</u>	<u>480,000,000</u>
	₱ <u>1,200,000,000</u>	₱ <u>1,200,000,000</u>
Issued and Outstanding		
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	<u>122,448,979</u>	<u>122,448,979</u>
	₱ <u>306,122,449</u>	₱ <u>306,122,449</u>
Additional Paid-in Capital	₱ <u>3,571,923</u>	₱ <u>3,571,923</u>

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	2021	2020
Cumulative deficit, beginning	₱ (95,849,020)	₱ (91,359,887)
Net loss based on the face of AFS	(171,842,995)	(4,773,523)
Expired unutilized deferred MCIT (Note 10)	-	(3,010)
Add: Non-actual gain/unrealized loss		
Unrealized gain or loss on re-measurement of equity instruments	<u>(1,724,400)</u>	<u>287,400</u>
Net loss actual/realized	<u>(173,567,395)</u>	<u>(4,489,133)</u>
Cumulative deficit, end	₱ <u>(269,416,415)</u>	₱ <u>(95,849,020)</u>

In 2021, the Parent Company recognized provision for estimated credit losses of ₱224.5 million on advances to a related party which contributes to the material losses for the year. The provision is in compliance with the requirements of PFRS 9.

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. (CPDSI)	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 Combine 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, 2021,

Particulars	Nature, terms, and conditions	Nature of consideration	Transactions	Outstanding Balance
Advances to related party:				
	Unsecured, no impairment, no guarantee, noninterest bearing	Cash consideration; Offset to accounts payable	₱ 35,226	₱ 147,858,883
CPDSI				
	Represents 20% share investment in NPCA	Cash consideration	₱ <u>(4,847,272)</u>	₱ <u>572,227,563</u>
Polymax				
Total (Note 11)			<u>(4,812,046)</u>	<u>720,086,446</u>

Due to related parties:				
Acesite (Phils.) Hotel Corporation	Unsecured, no impairment, no guarantee, noninterest bearing	Cash consideration	₱ (5,627,202)	₱ -
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	-	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	6,522,409	274,782,761
Total (Note 17)			₱ 895,207	₱ 566,150,507

As of December 31, 2020,

Particulars	Nature, terms, and conditions	Nature of consideration	Transactions	Outstanding Balance
Advances to related party:				
CPDSI	Unsecured, no impairment, no guarantee, noninterest bearing	Cash consideration; Offset to accounts payable	₱ -	₱ 147,823,657
Polymax	Represents 20% share investment in NPCA	Cash consideration	₱ 210,889,007	₱ 577,074,835
Total (Note 11)			210,889,007	724,898,492
Due to related parties:				
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
Total (Note 17)			₱ 215,384,664	₱ 565,255,300

The Parent Company issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of P263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. In 2021 and 2020, interest incurred amounted to ₱5,260,007.

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 (see Note 22).

The Parent Company has no compensation to key management personnel in 2021 and 2020.

NOTE 23 – GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below:

Particulars	2021	2020
Provision for credit losses (Note 11)	₱ 224,507,563	₱ -
Professional fees	2,275,438	2,252,333
Taxes and licenses (Note 27)	1,993,573	29,444
Entertainment, amusement and recreation	340,742	324,677
Depreciation expense (Note 14)	174,495	175,074
Office supplies	132,848	182,085
Utilities	72,000	72,000
Provision for impairment (Note 11)	69,804	1,450,756
Personnel costs	-	350,092
Others	140,529	669,024
Total	₱ 229,706,992	₱ 5,505,485

In 2021, provision for estimated credit losses on advances to related party was recognized in compliance with the requirements of PFRS 9.

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	2021	2020
Interest income	₱ 119	₱ 382
Interest expense (Note 25)	(4,651)	(6,359)
Other income	-	672,444
Total	₱ (4,532)	₱ 666,467

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 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 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, 2021, the Parent Company's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱58,165 (Note 14) 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 ₱174,495 (Note 23) and ₱4,651 (Note 25), respectively.

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 14) 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 25), respectively.

NOTE 26 – OTHER MATTERS

As of December 31, 2021, the Company 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, 2021, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.

(b) *Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18*

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 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.

As at December 31, 2021, this is awaiting decision of the court.

(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.

As of December 31, 2021, this is still awaiting the decision of the court.

(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.

As of December 31, 2021, the case was referred to the Philippines Mediation Center for possible settlement discussion.

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

NOTE 27 – SUPPLEMENTARY TAX INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

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, 2021 required under RR No. 15-2010, which became effective on December 31, 2021, are as follows:

27.1 Output VAT

The Parent Company has no sales transactions that are subject to output VAT in 2021.

27.2 Input VAT

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

<u>Particulars</u>	<u>Amount</u>
Balance at beginning of year	₱ 4,919,752
Current year's domestic purchases/payments during the year	116,119
Input tax claimed	<u>-</u>
Balance at end of year (Note 10)	₱ <u><u>5,035,871</u></u>

27.3 Documentary stamp tax (DST)

Documentary stamp paid during the year amounted to ₱1,972,503 (Note 23) for the DST between MAHEC and PHES.

27.3 Other taxes and licenses

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

<u>Particulars</u>	<u>Amount</u>
Annual registration fee	₱ 500
Business permit	19,220
Others	<u>1,350</u>
Total (Note 23)	₱ <u><u>21,070</u></u>

27.4 Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2021 consist of:

Particulars	Total
Tax on compensation and benefits	₱ -
Expanded withholding tax	<u>73,339</u>
Total	₱ <u>73,339</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.

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

We have examined the Parent financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as of December 31, 2021 on which we have rendered the attached report dated May 12, 2022. 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 Company as of December 31, 2021 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 July 29, 2021, Valid until July 14, 2024

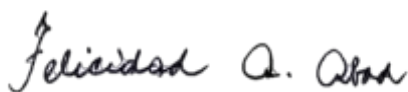
BIR Accreditation No. 08-002126-000-2021

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

SEC Accreditation No.0314-SEC, Group A

Issued on February 23, 2022

For the firm:



FELICIDAD A. ABAD

Partner

CPA Registration No. 25184, Valid until April 5, 2024

TIN No. 123-048-248-000

PTR No. 8852940, Issue Date: January 6, 2022, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-001-2021

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

SEC Accreditation No. 25184-SEC, Group A

Issued on February 23, 2022

Makati City, Philippines
May 12, 2022

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

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

December 31, 2021 and 2020

Items	2021	2020
Unappropriated Retained Earnings, beginning	₱ (95,849,020)	₱ (91,359,887)
Adjustments:		
Expired unutilized Deferred MCIT	-	(3,010)
Dividends declared/paid during the year	-	-
Unappropriated Retained Earnings, as adjusted, beginning	(95,849,020)	(91,362,897)
Net Loss based on the face of AFS	(175,291,795)	(4,773,523)
Less: Non-actual/unrealized income net of tax		
• Equity in net income/(loss) of associate/joint venture	-	-
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	-
• Fair value adjustment (M2M gains)	-	-
• Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	-	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	1,724,400	287,400
Add: Non-actual losses		
• Depreciation on revaluation increment (after tax)	-	-
• Adjustment due to deviation from PFRS/GAAP – loss	-	-
• Loss on fair value adjustment of investment property (after tax)	-	-
FMV gain/(loss) transferred to equity as a result of disposal of equity investment at FVOCI	-	-
Gain/(loss) from disposal of financial assets at FVOCI	-	-
Net Income Actual/Realized	-	-
Unappropriated Retained Earnings, as adjusted, ending	₱ (269,416,415)	₱ (95,849,020)

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

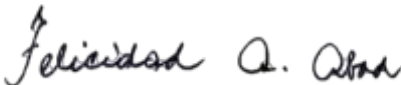
The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as at December 31, 2021 and 2020 and have issued our report thereon dated May 12, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of 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 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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and no material exceptions were noted.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-000-2021
Issued on March 19, 2021, Valid until March 18, 2024
SEC Accreditation No.0314-SEC, Group A
Issued on February 23, 2022

For the firm:



FELICIDAD A. ABAD

Partner
CPA Registration No. 25184, Valid until April 5, 2024
TIN No. 123-048-248-000
PTR No. 8852940, Issue Date: January 6, 2022, Makati City
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-001-2021
Issued on March 19, 2021, Valid until March 18, 2024
SEC Accreditation No. 25184-SEC, Group A
Issued on February 23, 2022

Makati City, Philippines
May 12, 2022

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
For the year ended December 31, 2021

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS REQUIRED BY REVISED SRC RULE 68 ANNEX 68-E

Ratio	Formula	As of year ended December 31, 2021	As of year ended December 31, 2020
Current Ratio	Total current assets	683,600	301,689
	Divided by: Total current liabilities	<u>791,863</u>	<u>1,122,966</u>
	Current ratio	0.86	0.27
Acid test ratio	Total current assets	683,600	301,689
	Less: Other current assets	<u>251,908</u>	<u>135,789</u>
	Quick assets	431,692	165,900
	Divide by: Total current liabilities	<u>791,863</u>	<u>1,122,966</u>
	Acid test ratio	0.55	0.15
Solvency Ratio	Net loss	(173,567,395)	(4,486,123)
	Add: Depreciation	<u>174,495</u>	<u>175,074</u>
	Total	(173,392,900)	(4,311,049)
	Divide by: Total liabilities	<u>399,513,427</u>	<u>398,949,323</u>
	Solvency ratio	(0.43)	(0.01)
Debt-to-Equity Ratio	Total liabilities	399,513,427	398,949,323
	Divided by: Total Equity	<u>43,206,434</u>	<u>218,498,229</u>
	Debt-to-equity ratio	9.25	1.83
Asset-to-equity ratio	Total assets	442,719,861	617,447,552
	Divided by: Total equity	<u>43,206,434</u>	<u>218,498,229</u>
	Asset-to-equity ratio	10.25	2.83
Interest rate coverage ratio	Loss before income tax	(229,711,524)	(4,839,018)
	Add: Interest expense	<u>4,651</u>	<u>6,359</u>
	Total	(229,706,873)	(4,832,659)
	Divided by: Interest expense	<u>4,651</u>	<u>6,359</u>
	Interest rate coverage ratio	(49,388.71)	(759.97)
Return on average equity	Net loss	(173,567,395)	(4,486,123)
	Divided by: Average total capital accounts	<u>130,852,332</u>	<u>220,886,496</u>
	Return on equity	(1.33)	(0.02)
Return on average assets	Net loss	(173,567,395)	(4,486,123)
	Divided by: Average total assets	<u>530,083,707</u>	<u>512,599,905</u>
	Return on average assets	(0.33)	(0.01)
Net profit margin	Net loss	(173,567,395)	(4,486,123)
	Net sales	N/A	N/A
	Net profit margin	N/A	N/A

Metro Alliance Holdings and Equities Corporation

Sustainability Reporting
December 31, 2021

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	METRO ALLIANCE HOLDINGS AND EQUITIES CORP. (MAH)
Location of Headquarters	35 th 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), Metro Combined Cargo Solutions, Inc. (MCCSI), 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	<p>MAH - Engage in investing, purchasing and acquiring assets of any kind and description (no operation)</p> <p>MCLSI and MCCSI- 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</p> <p>CPDSI - Distribution of Polypropylene (no operation)</p> <p>FEZ-EAC - Trading and distribution (no operation)</p> <p>ZDI - Trading and distribution (no operation)</p> <p>AHI - Trading and pharmacy management (no operation)</p>
Reporting Period	For the year ended 2021
Highest Ranking Person responsible for this report	Atty. Lamberto Mercado, Jr. – 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. ¹
<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"> A. Economic Impact – Economic Performance, Procurement Practices B. Environmental – Energy Management C. Social Impact – Employee Management, Supply Chain Management, Customer Management and Data Security

¹ 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)	293,462,629	PhP
Direct economic value distributed:		
a. Operating costs (including salaries, taxes and CSR)	259,363,966	PhP
b. Employee wages and benefits	14,520,212	PhP
c. Payments to suppliers, other operating costs	241,598,841	PhP
d. Dividends given to stockholders and interest payments to loan providers	0	PhP
e. Taxes given to government	3,814,240	PhP
f. Investments to community (e.g. donations, CSR)	30,000	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 opportunities²

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
Not Applicable	Not Applicable	Not Applicable	Not Applicable
Recommended Disclosures			
Not Applicable	Not Applicable	Not Applicable	Not Applicable

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	%

² 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.

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.
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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	%

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

Incidents of Corruption

Disclosure	Quantity	Units
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	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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The Group has no material impact at this moment under this category.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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)	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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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 ³ 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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

³ International Union for Conservation of Nature

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 ₂ e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO ₂ 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.		

Air pollutants

Disclosure	Quantity	Units
NO _x	0	kg
SO _x	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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

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	#

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.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There's no opportunity/ies identified at this moment for this category.		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁴		
a. Number of female employees	235	#
b. Number of male employees	358	#
Attrition rate ⁵	14%	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	92%	94%
Sick leaves	Y	90%	87%
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
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	N	0	0
Flexible-working Hours	Y	%	2%
(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	8	hours
b. Male employees	2	hours
Average training hours provided to employees		
a. Female employees	2	hours/employee
b. Male employees	2	hours/employee

⁴ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁵ 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)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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.
What are the Risk/s Identified?	Management Approach
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.
What are the Opportunity/ies Identified?	Management Approach
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	69	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has no material impact at this moment under this category.	
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	40%	%
% of male workers in the workforce	60%	%
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).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has no material impact at this moment under this category.	
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	62,736,672 (overall)	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	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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.
What are the Risk/s Identified?	Management Approach
The risk is seen when there's vehicle accidents.	The Group ensures that trucks are properly insured.
What are the Opportunity/ies Identified?	Management Approach
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

Disclosure	Quantity	Units
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?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Policy on Safety – MCLSI Personnel Handbook
Child labor	Y	Policy on Safety – MCLSI Personnel Handbook
Human Rights	Y	Policy on Safety, Data Privacy Policy, Anti-Sexual Harassment and Code of discipline

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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.
What are the Risk/s Identified?	Management Approach
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.
What are the Opportunity/ies Identified?	Management Approach
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?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	
Forced labor	Y	
Child labor	Y	

Human rights	Y	
Bribery and corruption	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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.
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

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					

*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	#

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

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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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.
What are the Risk/s Identified?	Management Approach
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.
What are the Opportunity/ies Identified?	Management Approach
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.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This impact is on the health and safety of employees due to ongoing delivery operations. Health and safety of the customers are always considered by the Group.	The Group ensures that there should be proper dispatch and truck maintenance. 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.
What are the Risk/s Identified?	Management Approach
The risk is seen when there's vehicle accidents.	The Group ensures that trucks are properly insured.
What are the Opportunity/ies Identified?	Management Approach
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.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Group has no material impact at this moment under this category.	
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach

There's no opportunity/ies identified at this moment for this category.	
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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.	

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.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

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.*