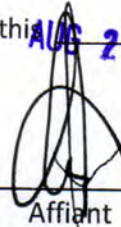


## Certification

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

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

IN WITNESS WHEREOF, I have hereunto set my hands this AUG 26 2022 day of \_\_\_\_\_, 2022.




Affiant

TIN: 136-012-428

SUBSCRIBED AND SWORN to before me this AUG 26 2022 day of \_\_\_\_\_, 2022.

NOTARY PUBLIC

Doc No. 160  
Page No. 08  
Book No. LXIV  
Series of 2022.



**ATTY. RYAN C. CORTEZ**  
Notary Public for Q.C./Until Dec. 31, 2023  
Roll No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000

# COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

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

<b>Atty. Nestor S. Romulo</b>									
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Contact Person

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

1	2
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3	1
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P	R	E	L	I	M	I	N	A	R	Y

<b>Any day in May</b>
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Fiscal Year

FORM TYPE

Month      Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>789</b>
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier

<b>STAMPS</b>
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20-IS Preliminary Report: MAHEC
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• <b>Appendices and Supplementary Schedules</b>	
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• <b>Statements of Comprehensive Income</b>	
• <b>Statements of Changes in Equity</b>	
• <b>Statements of Cash Flows</b>	
• <b>Notes to Company Financial Statements</b>	
• <b>Appendix</b>	



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** (the "Corporation"), in accordance to SEC Memorandum Circular No. 6, Series of 2020 will be held on Thursday, **October 06, 2022 at 10:00 a.m** and in light of the COVID-19 pandemic, to ensure the safety and welfare of our stockholders, the meeting will be conducted virtually via secure online meeting (zoom application) platform to pass upon the matters:

1. Call to Order;
2. Certification of Notice and Quorum;
3. Approval of the Minutes of the Annual Meeting of Stockholders held on October 28, 2021 2021;
4. Report of the President
5. Presentation and approval of the Annual Financial Statements 2021;
6. Ratifications of all the actions and proceedings taken by the Board of Directors and Corporate Officers since October 28, 2021;
7. Election of the Members of the Board of Directors;
8. Appointment of External Auditor;
9. Other business/matters; and
10. Adjournment.

The record date for the purpose of determining the stockholders who are entitled to vote in said stockholders' meeting is **September 09, 2022**. The stock and transfer book will be closed from **September 12, 2022 to October 06, 2022**.

**PARTICIPATION ONLY VIA REMOTECOMMUNICATION.** Stockholders can only participate in the meeting by remote communication on **October 06, 2022**. Stockholders as of **September 09, 2022**, the Record Date, who intend to participate or be represented in the virtual annual stockholders meeting may register by notifying the Corporation by email at [metroalliance.ASM@gmail.com](mailto:metroalliance.ASM@gmail.com) not later than October 04, 2022 and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable. After validation, the stockholder shall thereafter receive an email confirmation and details with link to log in and view the annual stockholders' meeting 2022 of the recorded schedule.

**VOTES MAY BE CAST ONLY THROUGH ONLINE CASTING OF VOTES/PROXIES ON OR BEFORE October 04, 2022** (at 10:00A.M.). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

**WE ARE NOT SOLICITING YOUR PROXY.**

Pasig City, Philippines, August 22, 2022

ATTY. NESTOR S. ROMULO  
Corporate Secretary  
35 Floor, One Corporate Center, Dona Julia Vargas Ave.,  
cor Meralco Ave., Ortigas Center, Pasig City

## BALLOT / PROXY FORM

Please mark as applicable:

**Vote By Ballot:** The undersigned stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** (the “Company”) casts his/her vote on the agenda items for the Annual Meeting of Stockholders on **October 6, 2022**.

**Vote By Proxy:** The undersigned stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** (the “Company”), do hereby constitute and appoints \_\_\_\_\_, or in his/her absence, the Chairman of the meeting, as attorney in-fact and proxy, with the power of substitution, to represent and vote upon \_\_\_\_\_ shares registered in the name of undersigned stockholder, at the Annual Meeting of Stockholders on **October 6, 2022** and any of its adjournment(s). If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a “FOR ALL” vote for proposal 9, and a “FOR” vote for proposals 1 through 8.\*

ITEM NO.	SUBJECT MATTER	ACTION		
		Yes	No	Abstain
3	• Approval of Minutes Previous Meeting held on October 28, 2021			
5	• Approval of Annual Financial Statements as of December 31, 2021			
6	• Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.			
7	<ul style="list-style-type: none"> <li>• Election of Directors</li> </ul> <p>*All nominees listed below</p> <p>Elvira A. Ting Kenneth T. Gatchalian Lamberto B. Mercado, Jr. Reno I. Magadia Nestor S. Romulo Byoung Hyun Suh (Independent Director) Aristeo R. Cruz (Independent Director)</p> <p><i>Note: To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i></p>	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
8	• Appointment of Valdes Abad & Associates CPAs. as external auditor for 2022			
9	• At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the Meeting.			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/  
NAME AND SIGNATURE OR AUTHORIZED REPRESENTATIVE

\*THIS BALLOT/PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE OCTOBER 4, 2022. KINDLY EMAIL TO **METROALLIANCE.ASM@GMAIL.COM**.

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

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

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

1. Check the appropriate box:  
[  ] Preliminary Information Statement  
[  ] Definitive Information Statement
2. Name of Registrant as specified in its charter:  
**Metro Alliance Holdings & Equities Corp.**
3. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **296**
5. BIR Tax Identification Code: **000-130-411**
6. **35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave.,** **1605**  
**Ortigas Center, Pasig City**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code: **(632) 8706-7888**
8. **October 6, 2022, Thursday, via remote communication**  
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's Website and PSE Edge: **September 14, 2022**
10. *In case of Proxy Solicitations:*  
*Name of Person Filing the Statement/Solicitor:* **Not applicable**  
*Address and Telephone No.:* **Not applicable**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class     | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|-------------------------|---|
| <b>Common Class A</b>   | <b>183,673,470</b>  |
| <b>Common Class B</b>   | <b>122,448,979</b>  |
| <b>Outstanding Debt</b> | <b>₱ 750,603,111</b>  |
12. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes [  ] No [  ]  
If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**Philippine Stock Exchange** **All Common Class A and Class B**

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

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

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

**Date: October 6, 2022, Thursday**

**Time: 10:00 am**

**Place: Via remote communication**

Complete mailing address of the principal office of the corporation:

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

(b) As stated in the first page of the information statement, the approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's Website and PSE Edge is on **September 14, 2022**.

**Item 2. Dissenters' Right of Appraisal**

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

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

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

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

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

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

- (a) No person who has been a director, officer, nominee for election as a director or associate of any director, officer or nominee of the corporation since the beginning of the last fiscal, has any substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any matter to be acted upon, other than election to office.
- (b) No director of the registrant has informed the registrant in writing that he intends to oppose any action to be taken by the corporation at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION****Item 4. Voting Securities and Principal Holders Thereof**

- (a) Class of voting shares as of July 31, 2022:

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares – Class A		
Filipino	183,670,970	One (1) vote each
Foreigner	2,500	One (1) vote each
Total	<u>183,673,470</u>	
Common Shares – Class B		
Filipino	61,941,222	One (1) vote each
Foreigner	60,507,757	One (1) vote each
Total	<u>122,448,979</u>	
Total Outstanding Shares	<u><u>306,122,449</u></u>	

- (b) All stockholders as of record date September 9, 2022 are entitled to notice and to vote at the annual stockholders' meeting.
- (c) The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised Corporation Code. The holders of common stock (Class A and Class B) are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management (Information required by Part IV paragraph (C) of "Annex C" to the extent known by the persons on whose behalf the solicitation is made).

1. Security Ownership of Certain Record and Beneficial Owners

As of July 31, 2022, the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

Title of Class	Name, address of Record owner and Relationship with issuer	Name of Beneficial Owner* and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common Shares – Class A 43,096,501 Class B 30,708,833	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City	PCD Participants and their clients**	Filipino	73,805,334	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. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Yolly C. Fernandez Corporate Secretary (Designated representative)	Filipino	40,500,000	13.230%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Babelyn R. Mantos Corporate Secretary (Designated representative)	Filipino	31,498,000	10.289%
Common Shares – Class A 16,376,856 Class B 13,432,644	Forum Holdings Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Ellen T. Balunsat Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.106%
Common Shares – Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Lauraine San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.172%

\* Person designated to exercise investment power over the equity

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

## 2. Security Ownership of Management

As of July 31, 2022 the security ownership of individual directors, executive officers and nominees of the Corporation is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Elvira A. Ting	98 / Direct	Filipino	0.000
Common–Class A	Kenneth T. Gatchalian	100 / Direct	Filipino	0.000
Common–Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common–Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Aristeo R. Cruz	100 / Direct	Filipino	0.000
Common–Class B	Byoung Hyun Suh	1 / Direct	Korean	0.000
	Richard L. Ricardo	–	Filipino	0.000
	Annabelle T. Abunda	–	Filipino	0.000
<b>Total</b>		<b>401</b>		<b>0.000</b>

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

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

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

## Item 5. Directors and Executive Officers

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

### A. Information required by Part IV, paragraphs (A), (D) (1) and (D) (3) of “Annex C”

(1) Directors, including Independent Directors, and Executive Officers

a. Names, ages, citizenship, and position and office of all directors and executive officers

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position and Office</b>	<b>Years of Service</b>
Elvira A. Ting	61	Filipino	Chairman /Director	2019-Present
Kenneth T. Gatchalian	46	Filipino	President/Director	2019-Present
Lamberto B. Mercado, Jr.	57	Filipino	Director/Compliance Officer	2003-Present
Reno I. Magadia	52	Filipino	Director	2009-Present
Aristeo R. Cruz	56	Filipino	Independent Director	2015-Present
Nestor S. Romulo	77	Filipino	Director/Corporate Secretary	2004-Present
Byoung Hyun Suh	65	Korean	Independent Director	2016-Present
Richard L. Ricardo	59	Filipino	Corporate Treasurer	2021-Present
			VP for External Affairs	2014-Present
Annabelle T. Abunda	46	Filipino	Finance Head	2014-Present

b. Term of Office as a Director

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

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

<b>Name</b>	<b>Company</b>	<b>Position</b>
<b>Elvira A. Ting</b> Chairman/Director 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. Acesite (Phils.) Hotel Corp. Wellex Industries, Inc 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 Corp. Treasurer/Director Vice-President/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
<b>Kenneth T. Gatchalian</b> President/Director Filipino 46 years old B.S. in Architecture <i>University of Texas, USA</i>	Forum Pacific, Inc. The Wellex Group, Inc. Waterfront Phils., Inc. Waterfront Manila Premier Dev,t., Inc. Acesite (Phils.) Hotels Corp. Philippine Estates Corp. Wellex Industries, Inc. Orient Pacific Corp. Wellex Mining Corp.	Corp. Treasurer/ Director President/Director President/Director President/Director President/Director Vice Chairman/Director President/Director President/Director Chairman/President/Director

	<p>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 &amp; 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>Corp. Treasurer/Director  Corp. Secretary/Director  Chairman/President/Director  Corp. Secretary/Director  Chairman/President/Director  Corp. Secretary/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><b>Atty. Lamberto B. Mercado, Jr.</b>  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.  Wellex Industries, Inc.  CPDSI, AHI and FEZ  Acesite (Phils.) Hotels Corp.  Philippine National Construction Corp.  Rexlon Realty Group, Inc.  Wellex Mining Corp.  Southernpec Phils., Inc.  Dubai Gold Mining Corp.  Sands Mining &amp; Dev't. Corp.  Bulacan Harbour Dev't. Corp.  Wanda Prime Property Dev't., Inc.  Seabrook Resources &amp; Devt 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><b>Reno I. Magadia</b>  Director  Filipino  52 years old  BA in TV and Radio  Broadcasting  <i>California State University</i>  Master's Degree – Business  Administration  <i>Pepperdine University</i>  Los Angeles, California</p>	<p>Metro Combined Logistics Solution, Inc.  Misons Industrial &amp; Development Corp.  Waterfront Philippines, Inc.</p>	<p>Managing Director  Director  Director</p>
<p><b>Atty. Aristeo R. Cruz</b>  Independent Director  Filipino  56 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  Jose &amp; Luz Locsin Foundation  Meycauayan College, Inc.   Philstar Innovation Realty Corp.  Waterstreet Realty Corp.</p>	<p>Independent Director  Independent Director  Director  Independent Director  President  Vice-Chairman/Director,  Dean, College Department  Corp. Secretary/Director  President</p>

	<p>Cruz Altares &amp; Associates Law Office (formerly Cruz, Castro &amp; Altares Law Office) Liberty Bank (A Rural Bank), Inc. Idealland Realty &amp; Dev't. Corp.</p> <p>Statosphere Realty &amp; Dev't. Corp.</p> <p>Justina Emilia Realty and Management &amp; Dev't. Corp.</p>	<p>Founding and Managing Partner Vice-President/Compiler President and Chief Operating Officer (COO) President and Chief Operating Officer (COO) Corp. Secretary</p>
<p><b>Nestor S. Romulo</b> Corp. Secretary/Director Filipino 76 years old Lawyer Bachelor of Laws (LLB) <i>University of the Philippines</i></p>	<p>Westmont Investment Corp. Wincorp Securities Misons Industrial &amp; Development Corp Romulo, Serrano &amp; Camello Law Offices JMP Development, Inc. Reyno, Tiu, Domingo &amp; Santos Law Offices JP Consultancy Resources &amp; Management, Inc. Zuellig Distributors, Inc. Asia Healthcare, Inc. FEZ-EAC Holdings, Inc.</p>	<p>Chairman of the Board Director Corporate Secretary Partner Corporate Secretary</p> <p>Consultant</p> <p>Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary</p>
<p><b>Byoung Hyun Suh</b> Independent Director Korean 65 years old BS in Business Administration <i>Korea University, Seoul Korea</i></p>	<p>Pan Islands, Inc. Philippines Estates Corporation Overseas Korean Traders Associations Bonamis Pharmacy Phil's. Corp.</p>	<p>President Independent Director Director President</p>
<p><b>Richard L. Ricardo</b> Corp. Treasurer/Investor Relations Officer/Director Filipino 59 years old B.S. in Business Management AB in Economics <i>Ateneo de Manila University</i></p>	<p>Forum Pacific, Inc.</p> <p>Waterfront Philippines, Inc.</p> <p>Wellex Industries, Inc</p> <p>Acesite (Phils.) Hotel Corp.</p> <p>Philippine Estates Corp.</p> <p>The Wellex Group, Inc. Rexlon Realty Group, Inc. Westland Pacific Properties Corp. Wellex Petroleum, Inc. Wellex Mining Corp. Bocau Prime Estate Corp. Taguig Lake City Dev't. Corp. Pacific Wide Holdings, Inc. Dubai Gold Mining Corp. Sand Mining &amp; Dev't. Corp. Manila Bay Front Hotels, Inc. Shanghai Global Estate Ventures Corp. Bulacan Country Garden Dev't. Corp. Alliance Energy Power &amp; Dev't. Inc.</p>	<p>Investor Relations Officer/Director Corporate Affairs Officer/Compliance Officer Treasurer/Director/Investor Relations Officer Vice President for Corporate Affairs/Compliance Officer Corp. Treasurer/Investor Relations Officer/Director Corp. Secretary/Director Vice President/Director Corp. Secretary/Director Corp. Treasurer/Director Assist. Corp. Sec./Director Corp. Secretary/Director Corp. Secretary/Director Corp. Treasurer/Director Chairman/President/Director Corp. Treasurer/Director Corp. Treasurer/Director Corp. Secretary/Director Corp. Secretary/Director President/Director</p>
<p><b>Annabelle T. Abunda</b> Finance Officer Filipino 46 years old CPA and Licensed Real Estate Broker B.S. in Accountancy <i>University of the Philippines in the Visayas</i></p>	<p>Wellex Industries Inc Pacific Rehouse Corp.</p> <p>Pacific Wide Holdings, Inc. Forum Pacific, Inc.</p>	<p>Compliance Officer Finance &amp; Administration Manager Accounting Manager Compliance Officer</p>

#### d. Trainings for Directors and Key Officers

Seminars of Bureau of Internal Revenue, Securities and Exchanges Commission, Philippine Stocks Exchanges and other external group are available to Directors and Key Officers for their continuing professional education. The Company paid the seminar fees for attendees. The Company annually invites all Directors and Key Officers to attend Corporate Governance Seminar, which is required by SEC under SEC Memorandum Circular No. 20, series of 2013. The Seminar in 2021 and 2020 was conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc., an accredited training provider of SEC.

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

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

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

The aforementioned nominees are all incumbent directors. All nominees in the final list were pre-screened by the Nomination Committee and their qualifications are presented on the previous pages. The independent directors, Mr. Aristeo R. Cruz will be serving his 8th term while Mr. Byoung Hyun Suh, will be serving his 7th term when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto (Please refer to pages 24 and 25). None of the candidates for independent directors of the Corporation are related to Metro Alliance Holdings & Equities Corp.

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

The members of the Nomination Committee are the following:

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

#### (2) Significant Employees

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

#### (3) Family Relationships

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

#### (4) Involvement in Certain Legal Proceedings

For the past five (5) years up to July 31, 2022, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past five (5) years up to July 31, 2022, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past five (5) years up to July 31, 2022, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past (5) years up to July 31, 2022, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

The Corporation, as represented by the Board of Directors, is involved or has been involved in certain legal proceedings as follows (*please refer to page 56 to 59*) of this report for the detailed discussion of each case):

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

#### **Certain Relationships and Related Transactions**

The Group, in the normal course of business, has transactions with related parties. The following table summarizes the transactions with related parties for the year ended December 31, 2021 and 2020. Please refer to Note 27 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

##### *a. Due from/to related parties*

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

##### *b. Payables for shared operating expenses*

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all

its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

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

c. *Compensation of key management personnel follows:*

Particulars	2021	2020	2019
Short-term employee benefits	₱11,384,235	₱10,691,978	₱18,191,466
Total	₱11,384,235	₱10,691,978	₱18,191,466

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

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

Particulars	Amount of Transactions Increase (Decrease)		Outstanding Receivable (Payable)	
	2021	2020	2021	2020
<b>Advances</b>				
Polymax (special purpose entity)	₱229,354,835	₱210,889,007	₱347,720,000	₱577,074,835
<b>Due from Related Parties</b>				
<i>Operating subsidiary</i>				
MCLSI	(10)	–	18,924	18,934
<i>Entity under common control</i>				
The Wellex Group, Inc.	–	(201)	5,258,409	5,258,409
Others	–	–	31,373	31,373
	(10)	(201)	5,308,706	5,308,716
<b>Due to Related Parties</b>				
<i>Entities under common control</i>				
Acesite (Phils.) Hotel Corporation	–	–	–	5,627,202
Wellex Mining Corp.	–	–	–	–
The Wellex Group, Inc.	–	–	–	–
Philippine Estate Corp.	6,522,409	268,260,352	274,782,761	268,260,352
<i>Other related parties</i>				
Stockholders	–	–	–	–
Others	14,284	26,756	695,497	681,213
	6,536,693	268,287,108	275,478,258	274,568,767

**Ownership Structure and Parent Company**

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

**Resignation of Directors Due to Disagreement**

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

**Terms of Office**

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

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

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

The members of the Executive Committee are the following:

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

#### Item 6. Compensation of Directors and Executive Officers

The following table list the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2022. Due to Company's tight cash position, it was agreed that there would be no compensation to directors and key officers except for a per diem amounting to ₱10,000 for each Independent Director that will attend a regular meeting. In 2021, Mr. Aristeo R. Cruz and Mr. Byoung Hyun Suh, were present in the Annual Stockholders' Meeting and received a per diem of ₱10,000 each. On the same matter, there is none to report for the period January 2022 to present. The Corporate Secretary/Director receives monthly legal retainers fee.

Summary Compensation Table – Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Elvira A. Ting Chairman of the Board/Director	2022 est	-	-	-
	2021	-	-	-
	2020	-	-	-
Kenneth T. Gatchalian President/Director	2022 est	-	-	-
	2021	-	-	-
	2020	-	-	-
Nestor S. Romulo Corporate Secretary/Legal Counsel/Director	2022 est	-	-	300,000
	2021	-	-	300,000
	2020	-	-	300,000
Aristeo R. Cruz Byoung Hyun Suh Independent Directors	2022 est	-	-	20,000
	2021	-	-	20,000
	2020	-	-	20,000
Richard L. Ricardo Treasurer	2022 est	-	-	-
	2021	-	-	-
	2020	-	-	-
All other directors and officers as a Group unnamed	2022 est	-	-	-
	2021	-	-	-
	2020	-	-	-

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

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

#### (1) Standard Arrangement

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

#### (2) Other Arrangement

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

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

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

(4) Warrants and Options Outstanding: Repricing

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

**Item 7. Independent Public Accountants**

- (a) Valdes, Abad & Associates, CPAs, upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Aristeo R. Cruz as Chairman and Mr. Lamberto B. Mercado, Jr. and Mr. Kenneth T. Gatchalian as members, is the external auditors of the Company for the year 2021. Said firm will be recommended to the stockholders for election as the Company's principal external auditors for the year 2022. The selection of external auditors is made on the basis of credibility, professional reputation and accreditation with the Securities and Exchange Commission. The professional fees of the external auditors are approved by the Company after the approval by the stockholders of the engagement and prior to the commencement of each audit season.
- (b) In Compliance with SRC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors) and as adopted by the Company, the external auditors or engagement partners are rotated every five years or earlier. The Corporation has engaged Ms. Felicidad A. Abad of Valdes Abad & Associates for years 2011-2012, 2014-2016. Lead engagement partner for calendar year 2017-2020 is Mr. Alfonso L. Cay-an of Valdes Abad & Associates. In 2021, Felicidad A. Abad of Valdes Abad & Associates was engaged by the Company and was recommended again for 2022.
- (c) Representatives of the principal auditors for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are likewise expected to be available to respond to appropriate questions.
- (d) External Audit Fees and Services

Audit and related fees of Valdes Abad & Associates for Metro Alliance for expressing an opinion on the financial statements and assistance in preparing the annual income tax return includes Audit fee of 330,000.00, out of pocket expenses of 33,000.00, VAT of 43,560.00 and Tax fees of NIL for both 2021 and 2020. No other service was provided by external auditors to the company for the calendar year 2021.

The Audit committee evaluates the fee proposals from known external audit firms. The review focuses on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinant.

*Audit Committee and Policies*

The Audit Committee is composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member has an adequate understanding at least or competence at most of the Company's financial management systems and environment.

The Committee shall review the charter at least annually and obtain the approval of the full Board of Directors for any revisions thereto or for any case where external bodies may suggest a change.

It is the policy of Metro Alliance to constitute and maintain an Audit Committee which shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to:

1. the Corporation's financial statements and the financial reporting process;
2. the systems of internal and financial reporting controls;
3. the internal audit activity;
4. the annual independent audit of the Corporation's financial statements; and
5. compliance with legal and regulatory matters.

To fulfill this responsibility, the Committee shall maintain free and open communication with the Corporation's independent auditors, the internal auditors and the management of the Corporation. In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought

to its attention, with full access to all records, books of accounts, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

The Audit Committee has reviewed the adequacy of the Corporation's internal control and risk management system and has endorsed the 2021 Audited Financial Statements to the Board for approval.

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

#### **Item 8. Compensation Plans**

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

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

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

#### **Item 10. Modification or Exchange of Securities**

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

#### **Item 11. Financial and Other Information**

Audited Financial Statements as of December 31, 2021, Management's Discussion and Analysis and Market Price of Shares and other data related to the Company's financial information are attached thereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

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

#### **Item 13. Acquisition or Disposition of Property**

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

#### **Item 14. Restatement of Accounts**

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

### **D. OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

There is no action to be taken with respect to any report of the corporation or its directors, officers or committees, except for the approval of the minutes of the previous annual stockholders' meeting of the corporation held last October 28, 2021 and for the ratification of all acts of the Board of Directors during their term of office.

The previous Annual Stockholders' Meeting held on October 28, 2021 was attended, in person or by proxy, by the stockholders representing 205,521,608 common shares, constituting 67.14% of the total outstanding capital stock of the Corporation as of record date, September 30, 2021. The attendance constituted a quorum for the approval of all matters in the agenda. The Board of Directors, Officers, external legal counsels and external auditors were also present in the said meeting.

The method by which votes counted from previous meeting:

Due to COVID-19 Global Pandemic, the 2021 Annual Stockholders' Meeting was conducted via remote communication using Zoom Meeting. Interested stockholders notified the Corporation of their intention to participate and they were given a chance to vote either in absentia or through proxy during their registration or in the given date of casting of votes from October 6 to 21, 2021. Registered stockholders and confirmed proxies were given the meeting link and password of the Annual Stockholders' Meeting. The counting of votes was done by the Corporate Secretary with the assistance of the representatives of the Corporation's Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation were casted in accordance with the instructions given or authority granted under proxies. The Corporate Secretary recorded all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

All the items of the agenda from previous year's meeting were approved by the stockholders and the voting results as follows:

Agenda	Voting Results		
	For	Against	Abstain
Approval of Minutes of Previous Meeting	100%	0.00%	0.00%
Approval of Annual Report for the year ended December 31, 2020	100%	0.00%	0.00%
Ratification of acts of the Board and Management	100%	0.00%	0.00%
Election of Board of Directors			
Elvira A. Ting	100%	0.00%	0.00%
Kenneth T. Gatchalian	100%	0.00%	0.00%
Lamberto B. Mercado Jr.	100%	0.00%	0.00%
Reno I. Magadia	100%	0.00%	0.00%
Nestor S. Romulo	100%	0.00%	0.00%
Byoung Hyun Suh (Independent Director)	100%	0.00%	0.00%
Aristeo R. Cruz (Independent Director)	100%	0.00%	0.00%
Election of External Auditor – Valdes Abad & Associates, CPAs	100%	0.00%	0.00%

The minutes of the previous meeting last October 28, 2021 contains the approval of the following:

- (a) Annual Report and Audited Financial Statements for the year ended December 31, 2020;
- (b) Minutes of the Annual Stockholders' Meeting held last October 29, 2020;
- (c) Ratification of the Corporate Acts of the Board of Directors and Executive Officers since October 29, 2020 by a majority vote of the stockholders;
- (d) Election of the members of the Board of Directors for the ensuring year;
- (e) Appointment of External Auditor by a majority vote of the stockholders.

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

The following directors and officers were present during the 2021 annual stockholders' meeting:

	Name	Position
1.	Elvira A. Ting	Chairman
2.	Kenneth T. Gatchalian	President
3.	Lamberto B. Mercado Jr.	Director
4.	Reno I. Magadia	Director
5.	Nestor S. Romulo	Director/Corp Secretary
6.	Byoung Hyun Suh	Independent Director
7.	Aristeo R. Cruz	Independent Director
8.	Richard L. Ricardo	Treasurer
9.	Annabelle T. Abunda	Finance Officer

The stockholders or its representative were given a chance to ask questions to the Board of Directors after each discussion of the agenda of the meeting. The registered stockholders and its proxies were advised to send their questions in advance through **metroalliance.ASM@gmail.com**. Minutes of the Annual Stockholders Meeting and Organizational Meeting were available in the company website.

For the upcoming Annual Stockholders' Meeting on October 6, 2022, below are the agenda, which are subject for approval of the stockholders:

- (a) The Annual Report and Audited Financial Statements for the year ended December 31, 2021 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the Corporation's performance during the previous fiscal year as contained therein.
- (b) Minutes of the Annual Stockholders' Meeting held last October 28, 2021 will also be presented to the stockholders for approval by a majority vote of the stockholders.
- (c) Ratification of the Corporate Acts of the Board of Directors and Executive Officers since October 28, 2021 by a majority vote of the stockholders.
- (d) Election of the members of the Board of Directors for the ensuing year
- (e) Appointment of External Auditor by a majority vote of the stockholders.

Below is a summary of the Corporate Acts of the Board of Directors and Executive Officers subject to ratification of the stockholders in the upcoming annual stockholders' meeting:

#### **September 15, 2021**

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

#### **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 through remote communication.

#### **November 12, 2021**

The Corporation approved the authorization to apply for and secure surety bond with any accredited surety and bonding company.

#### **May 12, 2022**

The Corporation disclosed the postponement of the Company's Annual Stockholders' Meeting is primarily due to the lack of sufficient time to prepare all the needed materials and documents.

The Corporation approved and authorized the issuance of Parent and Consolidated Audited Financial Statements for the year ended December 31, 2021.

The Corporation approved and authorized Carmelita E. Elegio and Jason Boado to transact with the Bureau of Internal Revenue regarding any tax matters involving the Corporation or anything connected therewith and to sign singly/jointly any document connected with the transaction that they may have with the Bureau of Internal Revenue.

The Corporation approved and authorized the Corporation to Print its OFFICIAL RECEIPT at the BIR RDO 043 office and further authorized SIDMICRO PRINTING PRESS/and his representative to execute, transact and sign for and in behalf of the corporation pertinent to the Authority to Print (ATP)

#### **August 22, 2022**

Setting the date of Annual Stockholder's Meeting through remote communication on October 6, 2022 at 10:00 am due to COVID-10 pandemic. The Board also set September 9, 2022 as the record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

Below is the list of attendees of directors from January to December 2021 regular and special meetings of the Board of Directors

	Meetings in 2021						
	Mar 15	Apr 14	May 14	Jun 11	Sep 15	Oct 28*	Nov 12
Elvira A. Ting	✓	✓	✓	✓	✓	✓	✓
Kenneth T. Gatchalian	✓	✓	✓	✓	✓	✓	✓
Reno I. Magadia	✓	✓	✓	✓	✓	✓	✓
Nestor S. Romulo	✓	✓	✓	✓	✓	✓	✓
Lamberto B. Mercado, Jr	✓	✓	✓	✓	✓	✓	✓
Byoung Hyun Suh	✓	✓	✓	✓	✓	✓	✓
Aristeo R. Cruz	✓	✓	✓	✓	✓	✓	✓

\*ASM and Organizational Meeting

In year 2021, no material information on the current stockholders and their voting rights as well as in directors' disclosures on self-dealing and related party transactions.

For appraisal and performance report for the board and the criteria and procedure for assessment, please refer to the corporate governance report 2021, which stated that the principle is indicated in the Corporation's Revised Manual on Corporate Governance. But due to minimal operations of the Corporation, there was no written self-assessment of each individual or committee's performance.

#### **Item 16. Matters Not Required to be Submitted**

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

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

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

#### **Item 18. Other Proposed Action**

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

#### **Item 19. Voting Procedures**

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

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

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

Due to continuous COVID-19 Global Pandemic, the Board of Directors of Metro Alliance Holdings & Equities Corp. still decided to conduct the annual stockholders' meeting via remote communication (Zoom Application). Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the

meeting by notifying the Corporation by email at ***metroalliance.ASM@gmail.com*** not later than October 4, 2022 (at 10:00A.M.) and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable.

Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2022 Annual Stockholders' Meeting must cast their votes on or before October 4, 2022 (at 10:00Am). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers. Registered stockholders and confirmed proxies will receive the meeting link and password. Only stockholders who notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies will be included in the determination of quorum.

The full details of the registration and voting procedures will be available on the Company's website, [www.metroalliance.com/annualstockholdersmeeting.html](http://www.metroalliance.com/annualstockholdersmeeting.html), on September 8, 2022.

We are not soliciting proxies.

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**PART II.**

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

NOT APPLICABLE

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**PART III.**

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**SIGNATURE PAGE**


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

**Metro Alliance Holdings & Equities Corp.**

By:

  
**Atty. Nestor S. Romulo**  
Corporate Secretary

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

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

**CERTIFICATION OF INDEPENDENT DIRECTOR**

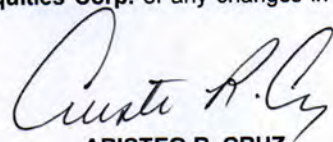
I, **Aristeo R. Cruz**, Filipino, of legal age and a resident of No. 4 Malhacan Road, Meycauayan City, Bulacan, after having been duly sworn to in accordance with law do hereby declare that;

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

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

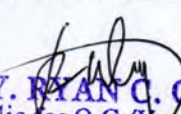
3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Metro Alliance Holdings & Equities Corp.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to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

Done, this AUG 26 day AUGUST, at MEYCAUAYAN CITY.

  
**ARISTEO R. CRUZ**  
 Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at MEYCAUAYAN CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 108-672-299 issued at Bureau of Internal Revenue

Doc. No. 58 ;  
 Page No. 08 ;  
 Book No. LXIV ;  
 Series of 2022.

  
**ATTY. RYAN C. CORTEZ**  
 Notary Public for Q.C./Until Dec. 31, 2023  
 Roll No. 72112  
 PTR No. 2564877, Jan. 27, 2022/Q.C.  
 IBP No. 178355, Feb. 15, 2022  
 MCLE COMP. No. VI-0030668  
 Adm. Matter No. NP-071 (2021-2022)  
 Unit 102-GF, One Exec. Bldg. Lund, West Ave. Q.C.  
 TIN No. 448-218-131-000

**CERTIFICATION OF INDEPENDENT DIRECTOR**

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

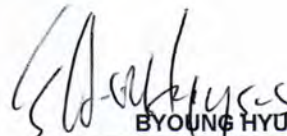
1. I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since 2016.
2. I am affiliated with the following companies or organizations:

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

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

AUG 26 2022 QUEZON CITY

Done, this \_\_\_\_\_ day \_\_\_\_\_, at \_\_\_\_\_.

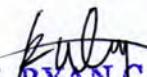
  
**BYOUNG HYUN SUH**  
 Affiant

AUG 26 2022

QUEZON CITY

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 122-963-522 issued at Bureau of Internal Revenue.

Doc. No. 59 :  
 Page No. 08 :  
 Book No. LXIV :  
 Series of 2022;

  
**ATTY. RYAN C. CORTEZ**  
 Notary Public for Q.C./Until Dec. 31, 2023  
 Roll No. 72112  
 PTR No. 2564877, Jan. 27, 2022/Q.C.  
 IBP No. 178355, Feb. 15, 2022  
 MCLE COMP. No. VI-0030668  
 Adm. Matter No. NP-071 (2021-2022)  
 Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
 TIN No. 448-218-131-000

**CERTIFICATION**

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

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

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

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

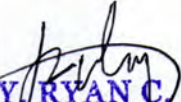
**IN WITNESS WHEREOF**, I have hereunto set my hand this **AUG 26 2022** in the City of Pasig **MEZON CITY**

  
NESTOR S. ROMULO  
Corporate Secretary

**AUG 26 2022**

Subscribed and sworn to before me this \_\_\_\_\_ of \_\_\_\_\_ 2022, in **MEZON CITY** affiant exhibiting to me his Tax Identification Number. 107-200-723-000 issued by the Bureau of Internal Revenue.

Doc. No. 602 ;  
Page No. 01 ;  
Book No. LXIV ;  
Series of 2022.

  
**ATTY RYAN C. CORTEZ**  
Notary Public for Q.C./Until Dec. 31, 2023  
Roll No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000




**PHILIPPINE NATIONAL  
CONSTRUCTION CORPORATION**

**CERTIFICATION**

***TO WHOM IT MAY CONCERN:***

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

Done this 11<sup>th</sup> day of August 2022 in Bicutan, Parañaque City.

  
**MIGUEL E. UMALI**  
President & CEO

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.**  
**MANAGEMENT REPORT**  
**AS REQUIRED BY SRC RULE 20**  
**INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2022**

**Item 1. Business**

**A. Description of Business**

**(1) Business Development**

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

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

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

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

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

**Status of Operation**

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

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2021. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

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

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

#### Manpower Requirements

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

#### Capital Asset Acquisition

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

#### COVID-19 Impact

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

#### Acquisition Transactions

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

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

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

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

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

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 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\$85million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

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

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

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

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

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

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

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

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

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

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

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

#### **Non-operating Subsidiaries:**

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

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

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

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

#### **Bankruptcy, receivership and similar proceedings**

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

#### **Material reclassification, merger consolidation or purchase**

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

## **(2) Business of Metro Alliance**

### **Description of Registrant**

#### **(i) Principal products and services**

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

#### *Principal products or services of its subsidiaries:*

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies. Revenue contribution of each principal for the year 2021 is as follows:

<b>PRINCIPAL</b>	<b>SERVICE INCOME</b>	<b>% to TOTAL</b>
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%
<b>TOTAL</b>	<b>293,462,629.00</b>	<b>100%</b>

**(ii) Export sales**

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

**(iii) Distribution Methods of the Products**

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

**(iv) Publicly announced new product or service.**

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

**(v) Competition**

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

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

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

**(vii) Dependence on one or few major customers**

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

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

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

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

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

**(x) Government approval of principal products or services**

There is no need for any 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.

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

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

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

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

**(xiii) Costs and effects of compliance with environmental laws**

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

**(xiv) Total Number of Full Time-Employees (as of December 31, 2021):**

**Metro Alliance**

Metro Alliance has no full-time regular employee in the Company.

**MCLSI**

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	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.

**(xv) Major Risks**

**Metro Alliance**

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

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

*Interest rate risk*

Metro Alliance exposure to the risk 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 if default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

*Liquidity risk*

Metro Alliance objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, Metro Alliance access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

## MCLSI

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

MCLSI's financial instruments consist of cash, receivables, accounts payables and obligations under finance lease. It is, and has been throughout the year under review, MCLSI' does not trade in financial instruments. The main risk arising from MCLSI's financial instruments are credit risk and liquidity risk. MCLSI's board of directors reviews and approves policies for managing these risks.

## Item 2. Properties

### A. Description of Property

#### Metro Alliance

The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35<sup>th</sup> floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and was renewed four times until April 30, 2024 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.

MCLSI owns and operates trucks as follows:

Model	Series	Body Type	Year Model
Isuzu	Elf	Aluminum Van Truck	2003
Isuzu	Elf	Reefer Van Truck	2001
Mitsubishi	L300 Delux c/c	FB Body	2017
Mitsubishi	L300 Delux c/c	FB Body	2017
Mitsubishi	Canter TF	Cab Chassis/Wing Van	2022
Suzuki	APG GA MT	Van	2022

MCLSI also leases warehouse equipment. Lease term is renewable at the option of both parties. Details of the lease as of July 31, 2022 are as follows:

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

Vendor	Warehouse Equipment	Location	Monthly Lease Inclusive of 12% VAT	Lease Term
Piston & Rings	Nichiyu Reachtruck FBRAW13-75 2.0 tons	Carmona 6th Street	P 41,240	Nov. 2019 - Oct. 31, 2022
	TCM Reachtruck FRB14	Carmona 6th Street	44,600	Nov. 2019 - Oct. 31, 2022
	Toyota Electric Counter Balance 5FB18	Carmona 6th Street	42,480	Nov. 2019 - Oct. 31, 2022
	Nichiyu FB20P-60BC 2 tons	Carmona 6th Street	Back-up - no charges	
Piston & Rings	Komatsu Electric FB15 1.5 tons	Golden Mile Carmona 01-04	41,240	Nov. 2019 - Oct. 31, 2022
	Toyota Counter Balance 7FB18 1.8 tons	Golden Mile Carmona 01-04	41,240	Nov. 2019 - Oct. 31, 2022
SKOBE Lift Industrial Phils Inc.	Nichiyu Electric Reachtruck 8.5 Lifting height 1.5 tons	Golden Mile Carmona 01-04	54,000	Month to Month Basis
Piston & Rings	Toyota LPG FG25	Camalig, Meycauayan, Bulacan	40,000	Mar. 1, 2021 - Feb. 28, 2023
	Nichiyu Reachtruck FBRW15	Camalig, Meycauayan, Bulacan	41,000	Mar. 1, 2021 - Feb. 28, 2023
	Nichiyu Reachtruck FBRMAW9 1.0 tons	Camalig, Meycauayan, Bulacan	15,000	Mar. 1, 2021 - Feb. 28, 2023
Piston & Rings	Toyota Reachtruck FBRAW15 1.5 tons	Johnson & Johnson	38,800	Nov. 2019 - Oct. 31, 2022
Piston & Rings	Toyota Reachtruck SFBR20-10388 2.0 tons	Zuellig Tunasan	44,800	Nov. 2019 - Oct. 31, 2022
	Nichiyu order picker RB10-458500M	Zuellig Tunasan	44,800	Nov. 2019 - Oct. 31, 2022
	Toyota Reachtruck fbr15 1.4 tons	Zuellig Tunasan	44,800	Nov. 2019 - Oct. 31, 2022
	Nichiyu Reach Truck 15AE0430	Zuellig Tunasan	44,800	Nov. 2019 - Oct. 31, 2022

Piston & Rings	Toyota Reachtruck 6FB615	PGA Baesa, Q.C.	42,000	Nov. 2019 - Oct. 31, 2022
	Nichiyu Counter balance FB18P-60-300	PGA Baesa, Q.C.	42,000	Nov. 2019 - Oct. 31, 2022
Piston & Rings	Nichiyu Reachtruck FBRW15-60B500	Warehouse 01 Tunasan	42,000	Nov. 2019 - Oct. 31, 2022
Piston & Rings	Mitsubishi LPG KFG14 1.5 tons	Nutri Asia ,Marilao Bulacan	36,400	Month to Month basis
Capital Industries Yaletrak Phils.	Toyota LPG 8FG25 2.5 tons	Nutri Asia ,Marilao Bulacan	44,800	Month to Month basis
	Toyota LPG 8FG25 2.5 tons	Nutri Asia ,Marilao Bulacan	44,800	Month to Month basis
	Toyota counter balance 8FBN20	Nutri Asia ,Marilao Bulacan	44,800	Month to Month basis
	Hyundai engine dual LPG/gasoline 30LE-7 3.0 tons	Nutri Asia ,Marilao Bulacan	55,000	Jul. 1, 2022 – Dec. 31, 2022
	Yale Reach Truck NDR035EB D861N03552R	Nutri Asia ,Marilao Bulacan	84,000	Month to Month basis
	Yale Reach Truck NDR035EB D861N03568R	Nutri Asia ,Marilao Bulacan	89,600	Month to Month basis
	Yale Electric counter balance FB15RZ	Nutri Asia ,Marilao Bulacan	50,400	Month to Month basis
	Yale Electric Counter Balance FB15RZ C881R01508P	Nutri Asia ,Marilao Bulacan	50,400	Month to Month basis
	Yale Counter Balance Dual LPG/Gasoline GTP20AK	Nutri Asia ,Marilao Bulacan	39,200	Month to Month basis
	Yale Electric Reach truck NDR035EA	Nutri Asia ,Marilao Bulacan	84,000	Month to Month basis
	Yale Electric Reach Truck NDR035EB	Nutri Asia ,Marilao Bulacan	84,000	Month to Month basis
Crown Phils, Inc.	Crown electric Reachtruck RMD0002	Nutri Asia ,Marilao Bulacan	86,879	Jun. 2020 – Oct. 31, 2022
	Crown electric Reachtruck RMD0001	Nutri Asia ,Marilao Bulacan	86,879	Jun. 2020 – Oct. 31, 2022
	Electric pallet mover	Nutri Asia ,Marilao Bulacan	21,760	Jun. 2020 – Oct. 31, 2022
	Electric pallet mover	Nutri Asia ,Marilao Bulacan	21,760	Jun. 2020 – Oct. 31, 2022
	Electric pallet mover	Nutri Asia ,Marilao Bulacan	21,760	Jun. 2020 – Oct. 31, 2022
Yaletrak Phils.	NDR030EA C861N03529L	Brenntag Ingredients	56,000	Oct. 1, 2020 - Oct 1, 2021

### 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 the 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)	<b>(0.57)</b>	(0.02)	(0.01)
Return (loss) on average equity	<b>(1.34)</b>	(0.02)	(0.01)
Debt to total assets ratio	<b>0.90</b>	0.65	0.45
Debt to equity ratio	<b>9.25</b>	1.83	0.83

#### MCLSI

##### 1. Profitability

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

##### 2. Liquidity ratios

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

MCLSI's profitability is more favorable in 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	<b>0.168</b>	0.153	0.183
b. Net profit margin	<b>0.06</b>	0.03	0.056
c. Return on assets	<b>0.06</b>	0.59	0.069
d. Return in equity	<b>0.144</b>	0.187	0.200
<u>Liquidity</u>			
a. Current ratio	<b>1.868</b>	1.691	1.861
b. Receivables turnover	<b>2.17</b>	2.27	3.114
c. Days' sales in receivables	<b>168</b>	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 table below shows the consolidated financial highlights of Metro Alliance and subsidiaries for the years ended December 31, 2021, 2020 and 2019:

<b>Balance Sheet</b>	As of December 31 (In Php'000)		
	2021	2020	2019
Current assets	<b>₱236,016</b>	₱227,344	₱200,345
Noncurrent assets	<b>506,942</b>	687,440	482,881
Total Assets	<b>742,958</b>	914,784	683,226
Current liabilities	<b>320,565</b>	332,006	359,230
Noncurrent liabilities	<b>433,381</b>	435,146	180,833
Total Liabilities	<b>753,946</b>	767,152	540,063
Stockholder's Equity	<b>(10,988)</b>	147,632	143,163
Total Liabilities and Stockholder's Equity	<b>₱742,958</b>	₱914,784	₱683,226

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

### **Calendar Year Ended December 31, 2021 vs. Calendar Year Ended December 31, 2020**

#### **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**

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 (₱27.2 million) and net cash flows for financing activities of (₱14.6) 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.

*Advances to Related Parties.* 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.

### Key Performance Indicators

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

#### Metro Alliance

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

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

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

#### MCLSI

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

Comparative analysis of MCLSI's key performance indicators follows:

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

### CPDSI, FEZ-EAC, ZDI and AHI

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

### Financial Highlights

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

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

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

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

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

#### **CHANGES IN OPERATING RESULTS**

##### Net Income and Earnings (Loss) Per Share

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

### Sales and Services

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

### Cost of Sales and Services

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

### Finance and Other Income, Net

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

## **CHANGES IN FINANCIAL CONDITION**

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

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

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

### Assets

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

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

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

*Asset held for sale* amounting to ₱577.1 million and ₱366.2 million for years ended December 31, 2020 and 2019 (which constitute 63% and 54% of the Group's total assets as of December 31, 2020 and 2019, respectively) represents advances to Polymax, the Group's unconsolidated special purpose entity

incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

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

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

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

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

#### *Investment in Debt Security*

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

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

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

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

#### Liabilities

##### *Current Liabilities*

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

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

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

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

*Lease Liability* is the liability recognized in relation to the adoption of PFRS 16. As of December 31, 2019, the Company's determined incremental rate used is 5%. Current lease liability amounted to ₱34.1 million and ₱25.4 million in years 2020 and 2019, respectively. Noncurrent portion of Lease liability amounted to ₱34.8 million and ₱49.6 million in years 2020 and 2019.

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

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

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

#### **(i) Summary of Material Trends, Events and Uncertainties**

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern. As of December 31, 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 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 rely solely on MCLSI's results of operations.

**Net Income and Earnings (Loss) Per Share**

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.

**Undertaking**

**A copy of the Annual Report for the year ended December 31, 2021 or SEC Form 17-A will be made available in the Company Website.**

## Interim Period as of Quarter Ended June 30, 2022

The following table shows the consolidated financial highlights of the Group for the quarters ended June 30, 2022 and 2021 and December 31, 2020:

### Key Performance Indicators

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

#### Metro Alliance

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱1,190,001 for the 2nd quarter of 2022 as compared to the same quarter of 2021 with net loss amounting to ₱2,277,178 or a decrease in net loss by ₱1,087,177 or 47.74%.

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

Performance indicator	June 30	
	2022	2021
Net Income / (Loss)	<b>(₱1,190,001)</b>	(₱2,798,421)
Income / (Loss) per share	<b>(0.004)</b>	(0.009)
Income / (Loss) on average equity	<b>(0.300)</b>	(0.019)
Debt to total assets	<b>0.905</b>	0.649
Debt to equity	<b>9.498</b>	1.847

#### MCLSI

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

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

Performance indicator	2022	2021
<u>Profitability</u>		
a. Gross profit margin	<b>0.213</b>	0.150
b. Net profit margin	<b>0.099</b>	0.058
c. Return on assets	<b>0.053</b>	0.029
d. Return on equity	<b>0.121</b>	0.077
<u>Liquidity</u>		
a. Current ratio	<b>2.066</b>	1.907
b. Receivables turnover	<b>0.801</b>	0.766
c. Days' sales in receivables	<b>455.759</b>	476.675

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

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

### Financial Highlights

Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2022	Apr. – Jun. 2021	Jan. – Jun. 2022	Jan. – Jun. 2021
Sales and services	<b>₱80,737,910</b>	₱70,891,181	<b>₱153,976,610</b>	₱137,529,338
Cost of sales and services	<b>64,536,461</b>	61,761,845	<b>121,218,773</b>	116,948,862
Gross profit	<b>16,201,450</b>	9,129,336	<b>32,757,837</b>	20,580,476
Expenses	<b>(9,613,756)</b>	(9,793,861)	<b>(18,908,258)</b>	(15,978,335)
Other income	<b>181,321</b>	7,777	<b>181,440</b>	487,662
Net Income Before Tax	<b>6,769,015</b>	(656,748)	<b>14,031,019</b>	5,089,803
Income tax expense	-	-	-	-
Net income	<b>6,769,015</b>	(656,748)	<b>14,031,019</b>	5,089,803
Attributable to:				

Equity Holders of the Parent Company	<b>3,305,580</b>	(1,457,709)	<b>6,556,434</b>	1,209,334
Non-controlling interest	<b>3,463,436</b>	800,961	<b>7,474,585</b>	3,880,469
	<b>6,769,016</b>	(656,748)	<b>14,031,019</b>	5,089,803
Earnings Per Share – Equity Holders Of the Parent Company	<b>₱0.0108</b>	(₱0.0048)	<b>₱0.0214</b>	₱0.0040

Unaudited Balance Sheet

<b>Balance Sheet</b>	<b>Amounts in Php</b>		
	<b>Jun. 30, 2022</b>	Jun. 30, 2021	Dec. 31, 2021
Current assets	<b>₱242,150,440</b>	₱212,765,039	₱236,015,607
Noncurrent assets	<b>511,495,507</b>	692,967,979	506,942,363
Total Assets	<b>753,645,947</b>	905,733,018	742,957,970
Current liabilities	<b>316,917,137</b>	317,559,463	320,565,291
Noncurrent liabilities	<b>433,685,974</b>	435,451,310	433,380,862
Total Liabilities	<b>750,603,111</b>	753,010,773	753,946,153
Stockholder's Equity	<b>3,042,837</b>	152,722,245	(10,988,183)
Total Liabilities and Stockholder's Equity	<b>₱753,645,947</b>	₱905,733,018	₱742,957,970

### **CHANGES IN RESULTS OF OPERATION**

#### **Net Income and Earnings (Loss) Per Share**

The Group registered a consolidated net income of ₱6.8 million for the 2nd quarter of 2022 as against net loss of ₱0.7 million for the 2nd quarter of 2021 or an increase of ₱7.4 million due to higher sales incurred for the quarter 2022. Income (Loss) per share attributable to equity holders of Parent Company are ₱0.011 and (₱0.004) for the 2nd quarter of 2022 and 2021, 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 ₱80.7 million and ₱70.9 million for the quarters ended June 30, 2022 and 2021, with an increase in revenue by ₱9.8 million or 13.89%.

#### **Cost of Sales and Services**

Total cost of sales and services for the quarters ended June 30, 2022 and 2021 amounted to ₱64.5 million and ₱61.8 million, respectively. Cost of sales increase by ₱2.8 million or 4.49% against last quarter was mainly due to the following net effect of expenses; decrease of personnel cost by ₱2.1 million, increase in rent and utilities by ₱1.2 million, increase in transportation expenses by ₱4.0 million, decrease of outside and security services by ₱1.1 million, increase of repairs and maintenance by ₱0.7 million and increase of communication and supplies and other costs by ₱0.1 million.

#### **Operating Expenses**

Total operating expenses of the Group for the 2nd quarter of 2022 amounted to ₱9.6 million as compared to ₱9.8 million for the 2nd quarter of 2021 or a decrease of ₱0.2 million or 1.84%. The decrease was mainly attributable on the following: increase in professional cost by ₱0.4 million, increase in entertainment by ₱1.0 million, increase in personnel cost by ₱0.2 million, increase in rent and utilities by ₱0.1 million, increase in amortization and depreciation by ₱0.2 million, decrease in communication and supplies by ₱0.2 million, increased in transportation by ₱0.5 million, decrease in taxes and licenses by ₱2.1 million and decreased in other operating costs by ₱0.4 million.

#### **Other income**

Other income for the quarters ended June 30, 2022 and 2021 amounted to ₱0.1 million and ₱0.5 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

### **CHANGES IN FINANCIAL CONDITIONS**

#### **Assets**

*Cash and cash equivalents* as of June 30, 2022 and 2021 amounted to ₱53.0 million and ₱32.3 million, respectively. Net cash flows from operating activities is ₱16.8 million, net cash flows from investing activities is (₱4.3 million) and net cash flows from financing activities is (₱0.0 million).

*Receivables* amounted to ₱165.9 million as of June 30, 2022 and ₱155.9 million as of June 30, 2021 (net of allowance for doubtful accounts). Movement in the accounts is mainly attributable to the increase in trade receivable by ₱8.3 million, increase in other receivables by ₱0.2 million and decrease in allowance for probable loss by ₱1.5 million. Other receivables pertain to advances subject for liquidation.

*Other current assets* amounted to ₱23.3 million and ₱24.6 million as of June 30, 2022 and 2021, respectively (net of allowance for probable losses of ₱14.3 million). Decrease was due to the decrease of Input VAT by ₱1.3 million.

*Asset held for sale* was reclassified to Advances to related parties due to its nature of account and a provision for estimated credit losses was recognized in compliance with the requirements of PFRS 9 in year 2021. The reclassification has no effect in the consolidated retained earnings or cumulative deficit. Advances to related parties amounted to ₱346.3 million and ₱573.7 million (net of probable expected credit losses of ₱224.5 million and ₱0, respectively) as of June 30, 2022 and 2021, respectively, which represents advances to Polymax, the Group's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

*Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)* amounted to ₱19.2 million and ₱20.9 million in June 30, 2022 and 2021, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

*Property and equipment* amounted to ₱73.2 million and ₱80.6 million in June 30, 2022 and 2021, respectively. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2022 and 2021 and the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

*Other non-current assets* as of June 30, 2022 and 2021 amounted to ₱11.3 million and ₱12.1 million, respectively or decrease by ₱0.8 million due to decrease in 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 the non-current portion of refundable deposits.

*Deferred tax assets* recognized in 2022 amounted to ₱61.5 million and ₱5.6 million in June 30, 2022 and 2021, respectively.

## **Liabilities**

*The Accounts payable and accrued expenses – current portion* as of June 30, 2022 and 2021 amounted to ₱284.7 million and ₱277.4 million, respectively. The increase was due to payment of trade payables amounting to ₱12.3 million, an increase in accrued expenses-current by ₱1.3 million and increase in other current liabilities by ₱18.2 million. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 19).

*Lease Liability* is the liability recognized in relation to the adoption of PFRS 16. Current lease liability amounted to ₱31.5 million and ₱34.1 million as of June 30, 2022 and 2021, respectively. Noncurrent portion of Lease liability amounted to ₱24.5 million and ₱34.8 million as of June 30, 2022 and 2021, respectively.

*The Due to related parties - current* as of June 30, 2022 and 2021 amounted to ₱0.7 million and ₱6.1 million, respectively. The decrease was mainly due to the 2021's write-off of Acesite Phils Hotel Corp payable by ₱5.6 million. *Due to related parties - noncurrent* as of June 30, 2022 and 2021 amounted to ₱274.8 million and ₱268.3 million, respectively. In 2020, The Group issued a 5-year promissory note to its affiliate, Philippine Estate Corporation, 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 other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms (Note 29).

*Accrued retirement benefit cost* amounted to ₱10.7 million and ₱8.6 million as of June 30, 2022 and 2021, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2022 and 2021 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. In 2020, the Board of Directors approved to write-off the remaining retirement benefit payable of the Parent Company since it has no longer have employees. (Note 28).

### Interim Period as of Quarter Ended June 30, 2021

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

### Key Performance Indicators

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

#### Metro Alliance

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

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

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

#### MCLSI

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

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

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

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

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

### Financial Highlights

#### Unaudited Income Statement

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

#### Unaudited Balance Sheet

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

### **CHANGES IN RESULTS OF OPERATION**

#### **Net Income and Earnings Per Share**

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

#### **Sales and Services**

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

#### **Cost of Sales and Services**

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

## **Operating Expenses**

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

## **Other income**

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

## **CHANGES IN FINANCIAL CONDITIONS**

### **Assets**

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

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

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

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

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

### *Investment in Debt Security*

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

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

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

## Liabilities

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

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

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

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

## Interim Period as of Quarter Ended June 30, 2020

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

### Key Performance Indicators

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

#### Metro Alliance

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

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

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

Performance indicator	Jun 30	
	2020	2019
Net Income / (Loss)	(₱1,302,584)	(₱1,114,076)
Income / (Loss) per share	(0.004)	(0.004)

Income / (Loss) on average equity	<b>(0.009)</b>	(0.005)
Debt to total assets	<b>0.454</b>	0.449
Debt to equity	<b>0.830</b>	0.814

#### MCLSI

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

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

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

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

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

#### **Financial Highlights**

Unaudited Income Statement

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

Unaudited Balance Sheet

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

## **CHANGES IN RESULTS OF OPERATION**

### **Net Income and Earnings Per Share**

The Group registered a consolidated net loss of ₱4,8 million for the 2nd quarter of 2020 as against net loss of ₱2.3 million for the 2nd quarter of 2019 or an increase of ₱2.5 million or 1.09% due to lower sales recorded and higher incurred expense for the quarter due to COVID19 pandemic. Loss per share attributable to equity holders of Parent Company are ₱0.009 for the 2nd quarter of 2020 and ₱0.005 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

### **Sales and Services**

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

### **Cost of Sales and Services**

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

### **Operating Expenses**

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

### **Other income**

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

## **CHANGES IN FINANCIAL CONDITIONS**

### **Assets**

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

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

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

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

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

### *Investment in Debt Security*

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

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

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

### **Liabilities**

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

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

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

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

### **Summary of Material Trends, Events and Uncertainties**

As of June 30, 2022 and 2021, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱346.3 million and ₱573.7 million (net of probable expected credit losses of ₱224.5 million and ₱0, respectively), respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

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

generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

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

#### **Legal case**

a. *Metro Alliance vs. Commissioner of Internal Revenue*

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

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

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

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

As of July 31, 2022, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.

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

*Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages*

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

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

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

The Group was able to get the formal trial started and on-going. The Group's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able

to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

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

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

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

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

As at July 31, 2022, this is awaiting 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 MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

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

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

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

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

On February 23, 2021, the case was set for the presentation of plaintiffs' evidence. However, the case was rescheduled on June 22, 2021 due to lack of return card of the notice of the hearing sent to defendant's counsel.

On April 18, 2022, MAHEC, et. al. received the Supreme Court's Notice of Judgment" dated April 4, 2022 with attached Decision dated September 15, 2021. In said Judgment, the Supreme Court denied both MAHEC, et. al.'s Petition for Review and PVB's Petition for Review by affirming the Court of Appeals' Decision with modifications. PVB filed its undated "Motion for Reconsideration" on May 5, 2022. In response to the Motion for Reconsideration, MAHEC, et. al. filed on May 30, 2022 their "Motion to Admit Opposition" with attached Opposition dated May 27, 2022, praying for the denial of PVB's Motion for Reconsideration.

As of July 31, 2022, this is still awaiting 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.

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 July 31, 2022, the case was on pre-trial stage and judicial dispute resolution.

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

#### **Events that will Trigger Direct Contingent or Financial Obligation**

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

#### **Material Off-balance Sheet Transactions, Arrangements, Obligations**

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

#### **Commitment For Capital Expenditures**

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

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

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

The Group registered a consolidated net income of ₱6.8 million for the 2nd quarter of 2022 as against net loss of ₱0.7 million for the 2nd quarter of 2021 or an increase of ₱7.4 million due to higher sales of services incurred for the 2nd quarter 2022. Income (Loss) per share attributable to equity holders of Parent Company are ₱0.011 and (₱0.005) for the 2nd quarter of 2022 and 2021, respectively. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱80.7 million and ₱70.9 million for the quarters ended June 30, 2022 and 2021. Revenue increase by ₱9.8 million or 13.89%.

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

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

#### **Material Changes on Line Items in the Financial Statements**

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

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability (Note 17 and 20) and PFRS 9 on the year 2021 for the recognition of Probable of Estimated Credit Losses.

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

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

### **Undertaking**

**A copy of the Second Quarter Report for the period ended June 30, 2022 or SEC Form 17-Q will be made available in the Company website**

## Information on Independent Accountant and other Related Matters

### **External Audit Fees and Services**

- (a) Audit and related fees for Metro Alliance are ₱406,560 for the year 2021, 2020 and 2019 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.
- (b) Tax fees - there were no tax fees paid for the years 2021, 2020 and 2019.
- (c) Other fees – there were no other fees paid for the years 2021, 2020 and 2019.
- (d) Audit committee's approval policies and procedures for the above services – the audit committee evaluates the fee proposals from known external audit firms. The review focuses on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

### **Changes in and disagreements with Accountants on Accounting and Financial Disclosure**

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

### **DIRECTORS AND EXECUTIVE OFFICERS**

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

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

### **Market Information**

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

		Class A		Class B	
		High	Low	High	Low
2022	First Quarter	1.19	0.95	1.19	0.95
	Second Quarter	1.00	0.90	1.00	0.90
2021	First Quarter	4.08	1.84	4.08	1.84
	Second Quarter	2.64	1.93	2.64	1.93
	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 of Class "A" and Class "B" were ₱0.83, ₱0.83, ₱0.83 as of August 26, 2022.

### **Holders**

There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,897 shares are Class "B". As of July 31, 2022, there are 606 holders of Class "A" shares and 389 holders of Class "B" shares.

**List of Top 20 Stockholders  
As of July 31, 2022**

	Stockholder's Name	Number of Shares		Percentage to Total (%)
		Class A	Class B	
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	0.488
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**

Dividend Policy is under review by the management and will be further discussed by the Board of Directors.

No dividends were declared in the last two fiscal years and in the interim period since the Corporation accumulated a net loss.

**Restriction that limits the payment of Dividends on Common Shares**

Other than the restrictions imposed by the Revised Corporation Code of the Philippines, there are no restrictions that limit the ability to pay dividends.

**Sales of unregistered or exempt securities**

There are no recent sales of unregistered or exempt securities.

**COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

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

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

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

Metro Alliance filed its Integrated Annual Corporate Governance Report last May 30, 2022 covering the year 2021.

In compliance with the requirements of SEC Memorandum Circular No. 20, series of 2013, Metro Alliance Holdings & Equities Corp.'s directors and key officers attended a Corporate Governance Webinar via Microsoft Teams Video Conference last November 19, 2021, which was conducted by the Risks, Opportunities, Assessment and Management (ROAM), Inc. a Corporate Governance training provider accredited by the SEC.

Re: Metro Alliance Holdings & Equities Corp\_SEC form 17-A 2021\_05.16.2022

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

To: metro.alliance@yahoo.com

Date: Monday, May 16, 2022 at 04:48 PM GMT+8

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Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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## NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

**Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.**

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

<https://apps010.sec.gov.ph>

**For your information and guidance.**

**Thank you and keep safe.**

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## Certification

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

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Annual Report 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 \_\_\_\_\_ day of \_\_\_\_\_, 2022.

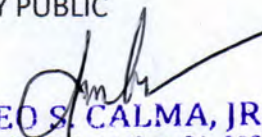


Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

NOTARY PUBLIC



**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

Doc No. 97

Page No. 2

Book No. KXVII

Series of 2022





**METRO ALLIANCE**  
HOLDINGS & EQUITIES CORP.

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

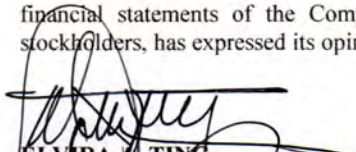
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP., AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed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

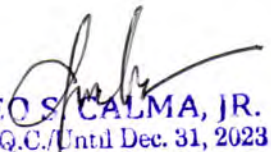
  
**KENNETH T. GATCHALIAN**  
President

  
**RICHARD L. RICARDO**  
Corporate Treasurer

**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.

  
**ATTY. ELISEO S. CALMA, JR.**  
Notary Public for Q.C. (until Dec. 31, 2023)  
Roli No. 50183

DOC NO: 96 :  
PAGE NO: 20 :  
BOOK NO: xxxxx  
SERIES OF xxx

**PTR No. 2454359D/Jan. 03, 2022/Q.C.**  
**IBP No. 183588, Jan. 31, 2022**  
**MCLE COMP. NO. VII-0006924**  
**Adm Matter No. NP-062(2022-2023)**  
**UEN 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) 706-5962

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

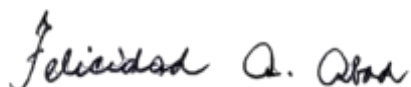
The Stockholders and the Board of Directors  
**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**  
35<sup>th</sup> Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.  
Ortigas Center, Pasig City

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

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

### **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** (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, 2020 and 2019 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.

### **Key Audit Matters**

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

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

#### *(a) Realization of Outstanding Receivables from Polymax Worldwide*

As of December 31, 2021 and 2020, the Group 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, 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 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 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 financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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

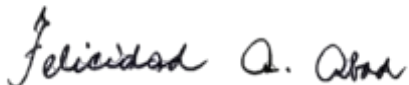
BIR Accreditation No. 08-002126-000-2021

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

May 12, 2022

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In Philippine Peso)*

*(As Restated)*

<b>ASSETS</b>	Note	<b>December 31,</b>	
		<b>2021</b>	2020
<b>CURRENT ASSETS</b>			
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
<b>NON-CURRENT ASSETS</b>			
Advances to related parties	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
<b>TOTAL ASSETS</b>		742,957,970	914,784,521
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
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
<b>NON CURRENT LIABILITIES</b>			
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
<b>EQUITY</b>			
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
<b>TOTAL LIABILITIES AND EQUITY</b>		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)*

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

*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	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before tax		<b>(207,906,506)</b>	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	<b>224,507,563</b>	-	-
Provision for impairment on other current assets	14	-	1,450,756	-
Provision for impairment on advances	28	<b>69,804</b>	-	-
Amortization of intangible assets	18	<b>449,011</b>	429,753	496,225
Depreciation	17	<b>36,732,216</b>	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	<b>2,036,082</b>	1,549,600	1,682,621
Interest expense on lease liability	32	<b>2,629,721</b>	3,504,759	2,726,765
Interest income	27	<b>(71,862)</b>	(164,137)	(229,016)
		<b>58,446,029</b>	50,936,668	62,253,190
Operating income before working capital changes				
Changes in assets and liabilities:				
Trade and other receivables, net		<b>(7,850,177)</b>	(22,796,575)	(17,350,262)
Other current assets		<b>1,570,608</b>	(11,701,257)	(4,524,985)
Other non-current assets		<b>325,668</b>	(4,951,304)	(2,008,780)
Accounts payable and accrued expenses		<b>(3,374,032)</b>	17,026,670	(11,560,596)
		<b>49,118,096</b>	28,514,202	26,808,567
Net Cash Flows from Operating Activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received from:				
Bank deposits	27	<b>71,862</b>	164,137	229,016
Proceeds from:				
Advances to related party	15	<b>4,847,271</b>	-	2,634,110
Disposal of financial assets at amortized cost		-	2,038,632	-
Disposal of property and equipment	17	-	-	387,200
Acquisition of:				
Advances to related party	15	-	(210,889,007)	-
Financial assets at amortized cost		-	-	(2,038,632)
Property and equipment	17	<b>(32,057,584)</b>	(24,626,568)	(110,796,639)
Intangible asset	18	<b>(75,000)</b>	(764,393)	-
		<b>(27,213,451)</b>	(234,077,199)	(109,584,945)
Net Cash Flows from Investing Activities				
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid on lease liability	32	<b>(2,629,721)</b>	(3,504,759)	(2,726,765)
Availment of (payment of) lease liability	20	<b>(12,845,390)</b>	(6,223,515)	75,085,611
Advances of related parties	30	<b>909,491</b>	215,410,220	206,979
		<b>(14,565,620)</b>	205,681,946	72,565,825
Net Cash Flows from Financing Activities				
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>7,339,025</b>	118,949	(10,210,553)
<b>CASH AT BEGINNING OF YEAR</b>	12	<b>33,101,605</b>	32,982,656	43,193,209
<b>CASH AT END OF YEAR</b>	12	<b>40,440,630</b>	33,101,605	32,982,656

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					Subtotal	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)			
<b>BALANCES AT JANUARY 1, 2019</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(221,300,976)</b>	<b>4,104,719</b>	<b>6,375,322</b>	<b>98,873,437</b>	<b>30,362,356</b>	<b>129,235,793</b>
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)
<b>BALANCES AS OF DECEMBER 31, 2019</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(214,870,166)</b>	<b>4,204,357</b>	<b>4,938,322</b>	<b>103,966,885</b>	<b>39,195,972</b>	<b>143,162,857</b>
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)
<b>BALANCES AS OF DECEMBER 31, 2020</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(214,668,844)</b>	<b>4,205,315</b>	<b>4,650,922</b>	<b>103,881,765</b>	<b>43,750,677</b>	<b>147,632,442</b>
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)
<b>BALANCES AS OF DECEMBER 31, 2021</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(379,751,292)</b>	<b>4,206,273</b>	<b>2,926,522</b>	<b>(62,924,125)</b>	<b>51,935,942</b>	<b>(10,988,183)</b>

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

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

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

The accompanying consolidated financial statements as of December 31, 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 May 12, 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 ₱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 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 20).

#### *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 22.

#### *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 2019, 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 33. 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%
<b>Summarized Statements of Financial Position:</b>		
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
<b>Summarized Statements of Comprehensive Income:</b>		
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	-	-
<b>Summarized Statements of Cash Flows:</b>		
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.

	<b>2021</b>		
	<u>Distribution and Contract Logistics</u>	<u>Other Businesses</u>	<u>Total</u>
External Sales	₱ 293,462,629	₱ -	₱ 293,462,629
Results:			
Segment result	19,629,408	(231,481,830)	<b>(211,852,422)</b>
Other income	2,222,684	711	<b>2,223,395</b>
Provision for income tax	<u>(5,135,727)</u>	<u>56,144,129</u>	<b>51,008,402</b>
Net income	<u>16,716,365</u>	<u>(175,336,990)</u>	<b>(158,620,625)</b>
Other Information:			
Segment assets	277,408,767	465,549,203	<b>742,957,970</b>
Segment liabilities	166,312,588	587,633,565	<b>753,946,153</b>
Capital expenditures	32,131,998	586	<b>32,132,584</b>
Depreciation and amortization	37,006,145	175,082	<b>37,181,227</b>
Noncash items other than depreciation and amortization	2,036,083	-	<b>2,036,083</b>
	<b>2020</b>		
	<u>Distribution and Contract Logistics</u>	<u>Other Businesses</u>	<u>Total</u>
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	<u>(4,498,441)</u>	<u>-</u>	<b>(4,498,441)</b>
Net income	<u>9,316,346</u>	<u>(4,843,750)</u>	<b>4,472,596</b>
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)	-	177,272,044	-	177,272,044
Advances to related parties	-	-	572,227,563	572,227,563
Refundable deposits	-	124,898	10,542,332	10,667,230
Subtotal	40,196,970	177,396,942	582,769,895	800,363,807
Financial assets at FVOCI	-	-	19,197,485	19,197,485
Total	40,196,970	177,396,942	601,967,380	819,561,292
Financial liabilities:				
Accounts payable and accrued expenses**	₱ -	₱ 266,976,308	₱ 123,438,803	₱ 390,415,111
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	721,910,075
Net Position	₱ 40,196,970	₱ (121,802,728)	₱ 179,256,975	₱ 97,651,217
	*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	-	170,939,996
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	587,942,835	791,941,334
Financial assets at FVOCI	-	-	20,921,885	20,921,885
Total	32,933,605	171,064,894	608,864,720	812,863,219
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)	₱ 182,354,776	₱ 71,720,428
	*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:

	<b>As at December 31, 2021</b>			
	Neither past due nor impaired		Past due but not impaired	<b>Total</b>
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash in banks	P 40,196,970	P -	P -	P 40,196,970
Trade receivables (gross)	-	135,707,173	-	135,707,173
Other receivables (gross)	-	-	41,564,870	41,564,870
Advances to related parties	-	347,720,000	224,507,563	572,227,563
Refundable deposit	10,667,230	-	-	10,667,230
Subtotal	<u>50,864,200</u>	<u>483,427,173</u>	<u>266,072,433</u>	<u>800,363,806</u>
Financial assets at FVOCI	<u>19,197,485</u>	-	-	<u>19,197,485</u>
Total	<u>P 70,061,685</u>	<u>P 483,427,173</u>	<u>P 266,072,433</u>	<u>P 819,561,291</u>
	<b>As at December 31, 2020</b>			
	Neither past due nor impaired		Past due but not impaired	<b>Total</b>
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash in banks	P 32,933,605	P -	P -	P 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	<u>43,926,503</u>	<u>707,247,419</u>	<u>40,767,412</u>	<u>791,941,334</u>
Financial assets at FVOCI	<u>20,921,885</u>	-	-	<u>20,921,885</u>
Total	<u>P 64,848,388</u>	<u>P 707,247,419</u>	<u>P 40,767,412</u>	<u>P 812,863,219</u>

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	₱ <b>753,946,153</b>	₱ 767,152,079
Total equity	<b>(10,988,183)</b>	147,632,442
Debt-to-equity ratio	<b><u>-68.61:1</u></b>	<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	576,268,926	576,268,926	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
<b>Financial assets at amortized cost:</b>				
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>
<b>Financial assets at FVOCI</b>	<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>
<b>Financial liabilities at amortized cost:</b>				
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
<b>Financial assets at amortized cost:</b>				
Cash	₱ 33,101,605	₱ -	₱ -	₱ 33,101,605
Trade and other receivables, net	-	-	169,590,889	169,590,889
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>
<b>Financial assets at FVOCI</b>	<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>
<b>Financial liabilities at amortized cost:</b>				
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	₱ 149,004,704	₱ 150,522,844

#### 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	₱ 18,133,911	₱ 24,651,968

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	₱ 14,336,880	₱ 14,336,880

#### NOTE 15 – ADVANCES TO RELATED PARTIES

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 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 estimated credit losses on Advances to Polymax 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	<u>129,512,591</u>	<u>19,483,532</u>	-	<u>148,996,123</u>
Total	<u>178,746,509</u>	<u>32,057,584</u>	-	<u>210,804,093</u>
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	<u>63,454,366</u>	<u>31,573,078</u>	-	<u>95,027,444</u>
Total	₱ <u>106,599,507</u>	<u>36,732,216</u>	-	₱ <u>143,331,723</u>
Net Book Value	₱ <u>72,147,002</u>			₱ <u>67,472,370</u>

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

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,622,377	156,182	-	₱ 2,778,559
Machinery and equipment	27,759,760	524,964	-	28,284,724
Office furniture, fixtures, and computer equipment	17,433,028	737,607	-	18,170,635
Right-of-use asset	<u>106,304,776</u>	<u>23,207,815</u>	-	<u>129,512,591</u>
Total	<u>154,119,941</u>	<u>24,626,568</u>	-	<u>178,746,509</u>
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	<u>32,798,271</u>	<u>30,656,095</u>	-	<u>63,454,366</u>
Total	₱ <u>72,535,813</u>	<u>34,063,694</u>	-	₱ <u>106,599,507</u>
Net Book Value	₱ <u>81,584,128</u>			₱ <u>72,147,002</u>

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)	₱ <b>34,087,802</b>	₱ 32,469,016	₱ 34,345,476
General and administrative expenses (Note 27)	<u>2,644,414</u>	<u>1,594,678</u>	<u>1,498,023</u>
Total	₱ <b><u>36,732,216</u></b>	₱ <u>34,063,694</u>	₱ <u>35,843,499</u>

<b>NOTE 18 – OTHER NON-CURRENT ASSETS</b>
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As of December 31, this account is composed of the following:

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

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of December 31, 2021 is as follows:

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

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	<u>1,825,646</u>	<u>764,393</u>	-	<u>2,590,039</u>
Total	<u>4,295,691</u>	<u>764,393</u>	<u>-</u>	<u>5,060,084</u>
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	<u>1,290,380</u>	<u>429,754</u>	-	<u>1,720,134</u>
Total	<u>₱ 3,760,425</u>	<u>429,754</u>	<u>-</u>	<u>₱ 4,190,179</u>
Net Book Value	<u>₱ 535,266</u>			<u>₱ 869,905</u>

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	<u>58,970,465</u>	<u>54,996,577</u>
Subtotal	<u>288,341,929</u>	291,646,159
Non-current portion		
Accrued expenses	<u>123,438,803</u>	<u>123,438,803</u>
Total	<u>₱ 411,780,732</u>	<u>₱ 415,084,962</u>

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, 2021 and 2020, this account consists of the following:

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

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 includes:

<u>Particulars</u>	<u>2021</u>	<u>2020</u>
Beginning balance	₱ <b>68,862,096</b>	₱ 75,085,611
Additions	<b>19,488,183</b>	17,801,534
Payments	<u>(32,333,573)</u>	<u>(24,025,049)</u>
Total	₱ <u><b>56,016,706</b></u>	₱ <u>68,862,096</u>

#### **NOTE 21 – DUE TO RELATED PARTIES**

Details of this account are as follows:

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

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).

<b>NOTE 22 – INCOME TAXES</b>
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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	<u>₱ 169,366,784</u>	<u>₱ 168,186,825</u>

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	<u>3,955,171</u>	<u>-</u>	<u>3,955,171</u>	<u>-</u>
Total		<u>₱ 15,301,046</u>	<u>₱ -</u>	<u>₱ 3,955,171</u>	<u>₱ 11,345,875</u>

#### 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	₱ <u>720,000,000</u>	₱ <u>720,000,000</u>
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ <u>183,673,470</u>	₱ <u>183,673,470</u>
Number of equity holders	<u>629</u>	<u>629</u>
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ <u>480,000,000</u>	₱ <u>480,000,000</u>
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ <u>122,448,979</u>	₱ <u>122,448,979</u>
Number of equity holders	<u>404</u>	<u>404</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.

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	<u>1,679,519</u>	<u>1,654,529</u>	<u>361,590</u>
Subtotal	<u>2,151,533</u>	<u>1,654,529</u>	<u>361,590</u>
Finance and other income, net	₱ <u>(406,326)</u>	₱ <u>(1,686,092)</u>	₱ <u>(2,136,159)</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).

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	<u>4,185,753</u>	<u>8,763,935</u>	<u>5,467,657</u>
Total	₱ <u>259,363,967</u>	₱ <u>34,499,768</u>	₱ <u>33,907,695</u>

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	<u>(470)</u>	<u>(805)</u>
Retirement benefits costs – OCI, ending	₱ 8,908,908	₱ 8,907,499
Percentage of ownership	<u>51%</u>	<u>51%</u>
Equity holders of parent	₱ <u>4,543,543</u>	₱ <u>4,542,824</u>

The major categories of plan assets are as follows:

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

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	
Impact on Net Defined Benefit Obligation	In %	Amount	In %	Amount
Discount rate	6.73%	3,533,948	4.73%	4,245,920
Future salary increases	4.00%	4,278,704	2.00%	3,500,367

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The discount rate and the future salary increase rate assumed was 5.73% and 3.00%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 15.59 years for 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
<b>Due from related parties:</b>					
The Wellex Group, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ -	₱ (201)	₱ 5,258,409	₱ 5,258,409
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
<b>Advances:</b>					
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 ₱52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. (Note 21).

<b>NOTE 31 – BASIC INCOME PER SHARE</b>
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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	<u>306,122,449</u>	<u>306,122,449</u>	<u>306,122,449</u>
Basic income per share	₱ <u>(0.5393)</u>	₱ <u>0.0007</u>	₱ <u>0.0210</u>

<b>NOTE 32 – SIGNIFICANT COMMITMENTS</b>
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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 ₱44,117,096, ₱48,205,450 and ₱39,517,592, 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
	<u>₱ 68,862,096</u>	<u>₱ 19,483,532</u>	<u>₱ 2,629,721</u>	<u>₱ 34,958,643</u>	<u>₱ 56,016,706</u>

Present value of lease liability as of December 31, 2020 is as follows:

Lessors	Beginning Balance	Additions	Interest	Payments (Principal and Interest)	Present Value (Year-end)
Chatellane Holding Co. Inc.	₱ 56,095,143	₱ -	₱ 2,458,731	₱ 17,744,826	₱ 40,809,048
BF Holdings, Inc.	3,948,992	-	150,877	2,218,292	1,881,577
Filipinas Benson Industrial & Development Corporation	3,861,908	9,137,162	386,024	6,883,919	6,501,175
JB Realty and Development Corporation	-	13,721,663	57,174	601,990	13,176,847
VY Industrial Builders, Inc.	11,119,942	-	445,592	5,307,061	6,258,473
The Wellex Group, Inc.	59,626	348,990	6,360	180,000	234,976
	<u>₱ 75,085,611</u>	<u>₱ 23,207,815</u>	<u>₱ 3,504,758</u>	<u>₱ 32,936,088</u>	<u>₱ 68,862,096</u>

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.

<b>NOTE 33 – OTHER MATTERS</b>
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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 Sheriff's 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.

<b>NOTE 34 – SUBSEQUENT EVENTS</b>
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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**

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

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 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 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

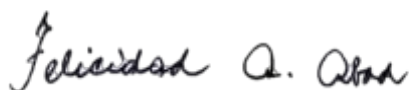
BIR Accreditation No. 08-002126-000-2021

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  
May 12, 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	Map of the relationships of the Parent Company within the Parent Company	<u>Attached</u>
III	Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as required by Revised SRC Rule Annex 68-D	<u>Attached</u>
IV	Schedule of Financial Soundness Indicators as required by Revised SRC Rule Annex 68-E	<u>Attached</u>

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES

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)	-	-	<b>495,894</b>

#### SCHEDULE E. Long-term Debt

Title of issue	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt”	Amount shown under caption “Long term debt” in related financial position
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**Not Applicable**

#### SCHEDULE F. Indebtedness to Related Parties (Long Term Loans from Related Parties)

Name of related party	Balance at beginning of period	Balance at end of period
Philippine Estate Corporation	268,260,352	274,782,761

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 guarantee
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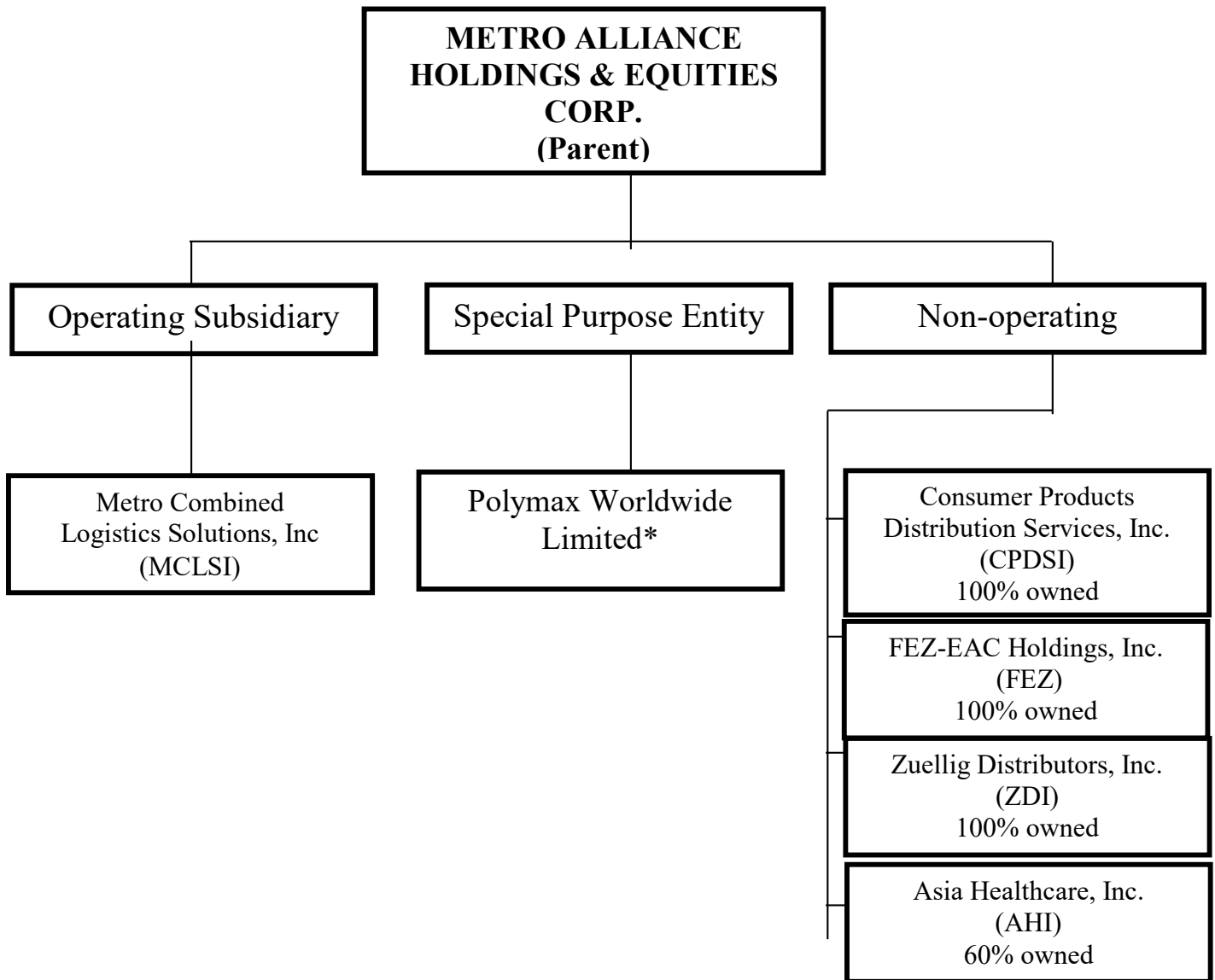
**Not Applicable**

#### SCHEDULE H. Capital Stock

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

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

II. 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	<b>(95,849,020)</b>	(91,362,897)
Net Loss based on the face of AFS	<b>(175,291,795)</b>	(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	<b>1,724,400</b>	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	<b>₱ (269,416,415)</b>	<b>₱ (95,849,020)</b>

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

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

We have audited in accordance with Philippine Standards Auditing, the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2021, 2020 and 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by the Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the financial statements as 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

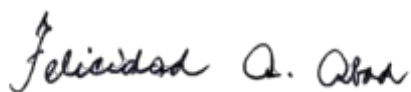
BIR Accreditation No. 08-002126-000-2021

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  
May 12, 2022

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

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

Re: Metro Alliance Holdings and Equities Corp\_SEC Form 17-Q 2nd Qtr 2022\_11Aug2022

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

To: metro.alliance@yahoo.com

Date: Thursday, August 11, 2022 at 05:02 PM GMT+8

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD. (Subject to Verification and Review of the Quality of the Attached Document) Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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#### NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) Secondary Reports such as: 17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please go to SEC website:

<https://apps010.sec.gov.ph>

For your information and guidance.

Thank you and keep safe.

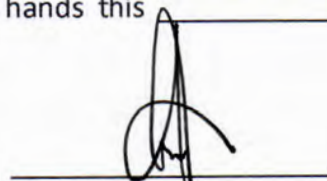
## Certification

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

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Second (2nd) Quarterly Report SEC Form 17-Q 2022 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.

**AUG 11 2022**

IN WITNESS WHEREOF, I have hereunto set my hands this \_\_\_\_\_ day of \_\_\_\_\_, 2022.



Affiant


TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this **AUG 11 2022**, 2022.

NOTARY PUBLIC

**MANDALUYONG CITY**

Doc No. 430  
Page No. 87  
Book No. 50  
Series of 2022

  
**ATTY. JAMES K. ABUGAN**  
Notary Public  
Appt. No. 0442-21 Until Dec, 31, 2022  
IBP No. 175123 01/06/2022 Rizal Chapter  
Roll No. 26890 Lifetime  
MCLE No. VII-0020184 Until 4/14/2025  
TIN No. 116-239-956  
PTR No. 4871351 / 01-08-2022  
Mandaluyong City Ter. No. 02-01-2021

# COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

<b>Atty. Nestor S. Romulo</b>														
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Contact Person

<b>(632) 706-7888</b>														
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Contact Telephone No.

1	2
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FORM TYPE

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Month      Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>789</b>		
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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<b>2<sup>nd</sup> Quarter Report: MAH</b>
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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended ...**June 30, 2022**
2. Commission identification number...**296**
3. BIR Tax Identification No.....**000-130-411-000**.
4. **Metro Alliance Holdings & Equities Corp.**  
Exact name of issuer as specified in its charter
5. **Metro, Manila Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. (SEC use Only)  
Industry Classification Code:
7. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig**  
Address of issuer's principal office
8. **(632) 8706-7888**  
Issuer's telephone number, including area code
9. **Not applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	₱ 750,603,111

11. Are any or all of the securities listed on a Stock Exchange?

Yes [  ] No [  ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippines Stock Exchange**

**Common Class A and Class B**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

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

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates: **Php68,449,446**

14. Not applicable

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

Please see attached Consolidated Balance Sheets, Income Statements, Changes in Stockholders' Equity, Cash Flows and Notes to Interim Consolidated Financial Statements (Annex A.1 to 5).

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Unaudited Income Statement

<i>Income Statement</i>	<b>Amounts in Php</b>			
	<b>Apr. – Jun. 2022</b>	<b>Apr. – Jun. 2021</b>	<b>Jan. – Jun. 2022</b>	<b>Jan. – Jun. 2021</b>
Sales and services	<b>₱80,737,910</b>	₱70,891,181	<b>₱153,976,610</b>	₱137,529,338
Cost of sales and services	<b>64,536,461</b>	61,761,845	<b>121,218,773</b>	116,948,862
Gross profit	<b>16,201,450</b>	9,129,336	<b>32,757,837</b>	20,580,476
Expenses	<b>(9,613,756)</b>	(9,793,861)	<b>(18,908,258)</b>	(15,978,335)
Other income	<b>181,321</b>	7,777	<b>181,440</b>	487,662
Net Income Before Tax	<b>6,769,015</b>	(656,748)	<b>14,031,019</b>	5,089,803
Income tax expense	-	-	-	-
Net income	<b>6,769,015</b>	(656,748)	<b>14,031,019</b>	5,089,803
Attributable to:				
Equity Holders of the Parent Company	<b>3,305,580</b>	(1,457,709)	<b>6,556,434</b>	1,209,334
Non-controlling interest	<b>3,463,436</b>	800,961	<b>7,474,585</b>	3,880,469
	<b>6,769,016</b>	(656,748)	<b>14,031,019</b>	5,089,803
Earnings Per Share – Equity Holders Of the Parent Company	<b>₱0.0108</b>	(₱0.0048)	<b>₱0.0214</b>	₱0.0040

#### Unaudited Balance Sheet

<i>Balance Sheet</i>	<b>Amounts in Php</b>		
	<b>Jun. 30, 2022</b>	<b>Jun. 30, 2021</b>	<b>Dec. 31, 2021</b>
Current assets	<b>₱242,150,440</b>	₱212,765,039	₱236,015,607
Noncurrent assets	<b>511,495,507</b>	692,967,979	506,942,363
Total Assets	<b>753,645,947</b>	905,733,018	742,957,970
Current liabilities	<b>316,917,137</b>	317,559,463	320,565,291
Noncurrent liabilities	<b>433,685,974</b>	435,451,310	433,380,862
Total Liabilities	<b>750,603,111</b>	753,010,773	753,946,153
Stockholder's Equity	<b>3,042,837</b>	152,722,245	(10,988,183)
Total Liabilities and Stockholder's Equity	<b>₱753,645,947</b>	₱905,733,018	₱742,957,970

The following companies are included in Metro Alliance (MAH) consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. Due to intra-corporate disputes surrounding the ownership of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

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

#### a) Key Performance Indicators

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

### Metro Alliance

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

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱1,190,001 for the 2nd quarter of 2022 as compared to the same quarter of 2021 with net loss amounting to ₱2,277,178 or a decrease in net loss by ₱1,087,177 or 47.74%.

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

Performance indicator	June 30	
	2022	2021
Net Income / (Loss)	<b>(₱1,190,001)</b>	(₱2,798,421)
Income / (Loss) per share	<b>(0.004)</b>	(0.009)
Income / (Loss) on average equity	<b>(0.300)</b>	(0.019)
Debt to total assets	<b>0.905</b>	0.649
Debt to equity	<b>9.498</b>	1.847

### MCLSI

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

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

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

Performance indicator	2022	2021
<u>Profitability</u>		
a. Gross profit margin	<b>0.213</b>	0.150
b. Net profit margin	<b>0.099</b>	0.058
c. Return on assets	<b>0.053</b>	0.029
d. Return on equity	<b>0.121</b>	0.077
<u>Liquidity</u>		
a. Current ratio	<b>2.066</b>	1.907
b. Receivables turnover	<b>0.801</b>	0.766
c. Days' sales in receivables	<b>455.759</b>	476.675

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

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

## **b) Changes in Operating Results**

### Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱6.8 million for the 2nd quarter of 2022 as against net loss of ₱0.7 million for the 2nd quarter of 2021 or an increase of ₱7.4 million due to higher sales incurred for the quarter 2022. Income (Loss) per share attributable to equity holders of Parent Company are ₱0.011 and (₱0.004) for the 2nd quarter of 2022 and 2021, 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 ₱80.7 million and ₱70.9 million for the quarters ended June 30, 2022 and 2021, with an increase in revenue by ₱9.8 million or 13.89%.

### Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2022 and 2021 amounted to ₱64.5 million and ₱61.8 million, respectively. Cost of sales increase by ₱2.8 million or 4.49% against last quarter was mainly due to the following net effect of expenses; decrease of personnel cost by ₱2.1 million, increase in rent and utilities by ₱1.2 million, increase in transportation expenses by ₱4.0 million, decrease of outside and security services by ₱1.1 million, increase of repairs and maintenance by ₱0.7 million and increase of communication and supplies and other costs by ₱0.1 million.

### Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2022 amounted to ₱9.6 million as compared to ₱9.8 million for the 2nd quarter of 2021 or a decrease of ₱0.2 million or 1.84%. The decrease was mainly attributable on the following: increase in professional cost by ₱0.4 million, increase in entertainment by ₱1.0 million, increase in personnel cost by ₱0.2 million, increase in rent and utilities by ₱0.1 million, increase in amortization and depreciation by ₱0.2 million, decrease in communication and supplies by ₱0.2 million, increased in transportation by ₱0.5 million, decrease in taxes and licenses by ₱2.1 million and decreased in other operating costs by ₱0.4 million.

### Other income

Other income for the quarters ended June 30, 2022 and 2021 amounted to ₱0.1 million and ₱0.5 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

## **c) Changes in Financial Conditions**

### Assets

*Cash and cash equivalents* as of June 30, 2022 and 2021 amounted to ₱53.0 million and ₱32.3 million, respectively. Net cash flows from operating activities is ₱16.8 million, net cash flows from investing activities is (₱4.3 million) and net cash flows from financing activities is (₱0.0 million).

*Receivables* amounted to ₱165.9 million as of June 30, 2022 and ₱155.9 million as of June 30, 2021 (net of allowance for doubtful accounts). Movement in the accounts is mainly attributable to the increase in trade receivable by ₱8.3 million, increase in other receivables by ₱0.2 million and decrease in allowance for probable loss by ₱1.5 million. Other receivables pertain to advances subject for liquidation.

*Other current assets* amounted to ₱23.3 million and ₱24.6 million as of June 30, 2022 and 2021, respectively (net of allowance for probable losses of ₱14.3 million). Decrease was due to the decrease of Input VAT by ₱1.3 million.

*Asset held for sale* was reclassified to Advances to related parties due to its nature of account and a provision for estimated credit losses was recognized in compliance with the requirements of PFRS 9 in year 2021. The reclassification has no effect in the consolidated retained earnings or cumulative deficit. Advances to related parties amounted to ₱346.3 million and ₱573.7 million (net of probable expected credit losses of ₱224.5 million and ₱0, respectively) as of June 30, 2022 and 2021, respectively, which represents advances to Polymax, the Group's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

*Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)* amounted to ₱19.2 million and ₱20.9 million in June 30, 2022 and 2021, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017,

the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

*Property and equipment* amounted to ₱73.2 million and ₱80.6 million in June 30, 2022 and 2021, respectively. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2022 and 2021 and the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

*Other non-current assets* as of June 30, 2022 and 2021 amounted to ₱11.3 million and ₱12.1 million, respectively or decrease by ₱0.8 million due to decrease in 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 the non-current portion of refundable deposits.

*Deferred tax assets* recognized in 2022 amounted to ₱61.5 million and ₱5.6 million in June 30, 2022 and 2021, respectively.

### Liabilities

*The Accounts payable and accrued expenses – current portion* as of June 30, 2022 and 2021 amounted to ₱284.7 million and ₱277.4 million, respectively. The increase was due to payment of trade payables amounting to ₱12.3 million, an increase in accrued expenses-current by ₱1.3 million and increase in other current liabilities by ₱18.2 million. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 19).

*Lease Liability* is the liability recognized in relation to the adoption of PFRS 16. Current lease liability amounted to ₱31.5 million and ₱34.1 million as of June 30, 2022 and 2021, respectively. Noncurrent portion of Lease liability amounted to ₱24.5 million and ₱34.8 million as of June 30, 2022 and 2021, respectively.

The *Due to related parties - current* as of June 30, 2022 and 2021 amounted to ₱0.7 million and ₱6.1 million, respectively. The decrease was mainly due to the 2021's write-off of Acesite Phils Hotel Corp payable by ₱5.6 million. *Due to related parties - noncurrent* as of June 30, 2022 and 2021 amounted to ₱274.8 million and ₱268.3 million, respectively. In 2020, The Group issued a 5-year promissory note to its affiliate, Philippine Estate Corporation, 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 other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms (Note 29).

*Accrued retirement benefit cost* amounted to ₱10.7 million and ₱8.6 million as of June 30, 2022 and 2021, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2022 and 2021 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. In 2020, the Board of Directors approved to write-off the remaining retirement benefit payable of the Parent Company since it has no longer have employees. (Note 28).

### **Summary of Material Trends, Events and Uncertainties**

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern.

As of June 30, 2022 and 2021, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱346.3 million and ₱573.7 million (net of probable expected credit losses of ₱224.5 million and ₱0, respectively), respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

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

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

#### **Legal Cases**

Below is the list of legal matters of the Group as of June 30, 2022, which are fully disclosed in Note 32:

- a) Metro Alliance vs. Commissioner of Internal Revenue - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
- b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
- c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513 - Civil Action with Damages to Nullify the Foreclosure of Property
- d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 - Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

#### **Events that will Trigger Direct Contingent or Financial Obligation**

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

#### **Material Off-balance Sheet Transactions, Arrangements, Obligations**

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

#### **Commitment for Capital Expenditures**

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

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

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

The Group registered a consolidated net income of ₱6.8 million for the 2nd quarter of 2022 as against net loss of ₱0.7 million for the 2nd quarter of 2021 or an increase of ₱7.4 million due to higher sales of services incurred for the 2nd quarter 2022. Income (Loss) per share attributable to equity holders of Parent Company are ₱0.011 and (₱0.005) for the 2nd quarter of 2022 and 2021, respectively. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱80.7 million and ₱70.9 million for the quarters ended June 30, 2022 and 2021. Revenue increase by ₱9.8 million or 13.89%.

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

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

**Material Changes on Line Items in the Financial Statements**

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

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability (Note 17 and 20) and PFRS 9 on the year 2021 for the recognition of Probable of Estimated Credit Losses.

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

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

## PART II – OTHER INFORMATION

### (1) Market Information

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

		Class A		Class B	
		High	Low	High	Low
2022	First Quarter	1.19	0.95	1.19	0.95
	Second Quarter	1.00	0.90	1.00	0.90
2021	First Quarter	4.08	1.84	4.08	1.84
	Second Quarter	2.64	1.93	2.64	1.93
	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 ₱0.89 as of August 9, 2022.

### (2) Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of June 30, 2022, there are 607 holders of Class "A" shares and 388 holders of Class "B" shares.

#### List of Top 20 Stockholders As of June 30, 2022

	Stockholder's Name	Number of Shares		Percentage
		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	0.488
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

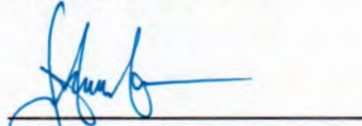
## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**

Issuer: Kenneth T. Gatchalian

Signature



Title

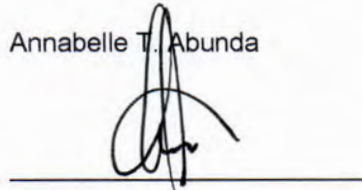
President

Date

August 11, 2022

Finance Officer: Annabelle T. Abunda

Signature



Date

August 11, 2022

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)**

“Annex A.1”

		30-Jun-22 Unaudited	30-Jun-21 Unaudited	31-Dec-21 Audited
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	11	₱52,985,316	₱32,275,651	₱40,440,630
Trade and other receivables	12	165,858,011	155,854,263	177,441,066
Other current assets	13	23,307,113	24,635,125	18,133,911
<b>Total Current Assets</b>		<b>242,150,440</b>	212,765,039	236,015,607
<b>Noncurrent Assets</b>				
Advances to Related Parties	14	346,297,967	573,741,074	347,720,000
Financial Assets at fair value through other comprehensive income	15	19,197,485	20,921,885	19,197,485
Property and equipment – net	16	73,167,202	80,632,154	67,472,370
Deferred tax assets		61,514,283	5,558,432	61,514,282
Other noncurrent assets	18	11,318,570	12,114,434	11,038,226
<b>Total Noncurrent Assets</b>		<b>511,495,507</b>	692,967,979	506,942,363
<b>TOTAL ASSETS</b>		<b>753,645,947</b>	905,733,018	742,957,970
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	18	284,680,092	277,436,698	288,341,929
Lease Liability	19	31,527,864	34,051,307	31,527,865
Due to related parties	20	709,181	6,071,458	695,497
<b>Total Current Liabilities</b>		<b>316,917,137</b>	317,559,463	320,565,291
<b>Noncurrent Liabilities</b>				
Accrued expenses, non-current portion	18	123,438,803	123,438,803	123,438,803
Lease liability, non-current portion	19	24,488,841	34,810,789	24,488,841
Due to related parties, non-current portion	20	274,782,761	268,260,352	274,782,761
Accrued retirement benefit costs	28	10,670,457	8,636,254	10,670,457
Deferred tax liability		305,112	305,112	-
<b>Total Noncurrent Liabilities</b>		<b>433,685,974</b>	435,451,310	433,380,862
<b>Total Liabilities</b>		<b>750,603,111</b>	753,010,773	753,946,153
<b>Stockholders' Equity</b>				
<b>Equity attributable to equity holders of the Parent Company</b>				
Capital stock		306,122,449	306,122,449	306,122,449
Additional paid-in capital		3,571,923	3,571,923	3,571,923
Deficit		(373,194,857)	(213,459,510)	(379,751,292)
Remeasurement gain on retirement plan		4,206,273	4,205,315	4,206,273
Fair value reserve		2,926,522	4,650,922	2,926,522
		(56,367,690)	105,091,099	(62,924,125)
Non-controlling interests		59,410,527	47,631,146	51,935,942
<b>Total Stockholders' Equity</b>		<b>3,042,837</b>	152,722,245	(10,988,183)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>₱753,645,947</b>	₱905,733,018	₱742,957,970

*(The accompanying notes are integral part of these financial statements)*

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)**

“Annex A.2”

		Unaudited Apr. - Jun. 2022	Unaudited Apr. - Jun. 2021	Unaudited Jan. – Jun. 2022	Unaudited Jan. – Jun. 2021
<b>SALE OF SERVICES (Note 26)</b>	24	<b>₱80,737,910</b>	₱70,891,181	<b>₱153,976,610</b>	₱137,529,338
<b>COST OF SERVICES (Note 27)</b>	25	<b>64,536,461</b>	61,761,845	<b>121,218,773</b>	116,948,862
<b>GROSS PROFIT</b>		<b>16,201,450</b>	9,129,336	<b>32,757,837</b>	20,580,476
<b>OTHER INCOME (Note 28)</b>	26	<b>181,321</b>	7,777	<b>181,440</b>	487,662
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	27	<b>(9,613,756)</b>	(9,793,861)	<b>(18,908,258)</b>	(15,978,335)
<b>INCOME BEFORE TAX</b>		<b>6,769,015</b>	(656,748)	<b>14,031,019</b>	5,089,803
<b>INCOME TAX (EXPENSE) / BENEFIT</b>		-	-	-	-
<b>NET INCOME</b>		<b>6,769,015</b>	(656,748)	<b>14,031,019</b>	5,089,803
<b>Net income (loss) attributable to:</b>					
Equity holders of the Parent Company		<b>3,305,580</b>	(1,457,709)	<b>6,556,434</b>	1,209,334
Non-controlling interest		<b>3,463,436</b>	800,961	<b>7,474,585</b>	3,880,469
		<b>6,769,016</b>	(656,748)	<b>14,031,019</b>	5,089,803
<b>Basic income (loss) per share</b>					
Income for the year attributable to equity holders of the Parent Company		<b>₱0.011</b>	(₱0.005)	<b>₱0.021</b>	₱0.004

*\*Based on the weighted average number of shares of 306,122,449  
(The accompanying notes are integral part of these financial statements)*

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

“Annex A.4”

	June 30	
	2022	2021
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		
<b>Capital Stock</b> - ₱1 par value	<b>₱306,122,449</b>	<b>₱306,122,449</b>
Common shares		
Class “A”		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class “B”		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979		
<b>Additional Paid-in Capital</b>	<b>3,571,923</b>	<b>3,571,923</b>
<b>Deficit</b>		
Balance at beginning of the year	<b>(379,751,292)</b>	(214,668,844)
Adjustment to beginning balance of retained earnings	-	-
Net income	<b>6,556,435</b>	1,209,334
Balance at end of the period	<b>(373,194,857)</b>	(213,459,510)
<b>Other Reserves:</b>		
Revaluation reserve on available-for-sale financial assets	<b>2,926,522</b>	4,650,922
Remeasurement Gain (Loss) on Retirement Plan	<b>4,206,273</b>	4,205,315
	<b>7,132,795</b>	8,856,237
<b>EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY</b>	<b>(56,367,690)</b>	105,091,099
<b>MINORITY INTERESTS</b>	<b>59,410,527</b>	47,631,146
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>₱3,042,837</b>	<b>₱152,722,245</b>

*(The accompanying notes are integral part of these financial statements)*

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

“Annex A.3”

	Unaudited Jan. - Jun. 2022	Unaudited Jan. - Jun. 2021
<b>CASH FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱14,031,019</b>	₱5,089,803
Adjustments for:		
PFRS 16 transition adjustment	-	-
Write-off of receivables	-	-
Provision for probable losses	-	-
Provision for impairment on other current assets	-	-
Amortization of intangible assets	<b>143,551</b>	266,570
Depreciation	<b>3,109,549</b>	2,306,364
Gain on disposal of equipment	-	-
Written-off accrued retirement benefit	-	-
Provision for retirement benefit costs	-	-
Interest expense paid on lease liability	-	-
Interest income	<b>(11,797)</b>	(15,647)
Operating income before working capital changes	<b>17,272,322</b>	7,647,089
Changes in assets and liabilities:		
Trade and other receivables, net	<b>11,583,055</b>	13,736,626
Other current assets	<b>(8,426,302)</b>	(2,556,090)
Other non-current assets	<b>(280,344)</b>	(376,529)
Accounts payable and accrued expenses	<b>(3,356,725)</b>	(13,873,739)
Net Cash from Operating Activities	<b>16,792,006</b>	4,577,357
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>11,797</b>	15,647
Proceeds from asset held for sale	<b>1,422,033</b>	3,333,761
Acquisition of debt investment	-	-
Proceeds from disposal of property and equipment	-	-
Acquisition of asset held for sale	-	-
Acquisition of financial assets at amortized cost	-	-
Acquisition of property and equipment	<b>(5,694,832)</b>	(8,485,152)
Acquisition of intangible assets	-	-
Net Cash from Investing Activities	<b>(4,261,003)</b>	(5,135,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid on lease liability	-	-
Availment of (payment of) lease liability	-	-
Advances (repayments) of related parties	<b>13,684</b>	(267,567)
Net Cash from Financing Activities	<b>13,684</b>	(267,567)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>12,544,686</b>	(825,954)
<b>CASH, Beginning</b>	<b>40,440,630</b>	33,101,605
<b>CASH, End</b>	<b>₱52,985,316</b>	₱32,275,651

\*See Notes to Consolidated Financial Statements

## **1. CORPORATE INFORMATION**

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

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

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation, specifically, Article Ninth to declassify common shares class A and B shares resulting to one common shares and also Article Sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of June 30, 2022, the amendment is pending for SEC approval.

## **2. STATUS OF OPERATION**

### **Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Group Company will continue as a going concern.

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

### **Management Plan to Address Going Concern Uncertainties**

The Parent Company still holds 20% interest in NPC Alliance Corporation (NPCAC) as of June 30, 2022 and 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 Group is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2022.

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 ₱346,297,967 as of June 30, 2022*

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

#### *Manpower Requirements*

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

#### *Capital Asset Acquisition*

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

#### *COVID-19 Impact*

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

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

#### *Acquisition Transactions*

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

arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

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

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

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

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

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

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

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

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in

the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon. On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91billion.

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

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

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

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, 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\$8million 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.

### **3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

#### **Statement of Compliance**

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

#### **Basis of Preparation**

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

#### **Going Concern Assumption**

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

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

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

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

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

**Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries as of June 30:

	Percentage of Ownership	
	2022	2021
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

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

**Investment in subsidiary**

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

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

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

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

**Non-controlling interests**

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

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects

whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### Transactions with non-controlling interests

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

#### Loss of control and disposal of subsidiaries

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

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

#### Use of judgments and estimates

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

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

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

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Financial assets and financial liabilities**

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

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

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

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

As of June 30, 2022 and 2021, the Group does not have financial assets and liabilities measured at FVPL.

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

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

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

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

As of June 30, 2022 and 2021, 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 June 30, 2022 and 2021, the Group has no financial assets at FVPL.

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

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

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

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

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

As of June 30, 2022 and 2021, the Group's equity investments at FVOCI are included under this category.

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

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

As of June 30, 2022 and 2021, the Group's accounts payable and accrued expenses, lease liability and due to related parties are included under this category.

### **Reclassification**

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

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

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

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

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

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

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

#### **Impairment of financial assets at amortized cost and FVOCI**

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

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

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

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

#### **Derecognition of financial assets and liabilities**

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

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

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

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

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

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

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

#### **Offsetting financial instrument**

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

#### **Classification of financial instrument between liability and equity**

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

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

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

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

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle

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

The Group classifies all other liabilities as noncurrent.

### **Foreign currency transactions and translation**

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the par value is determined.

### **Fair value measurement**

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

### **Operating Segments**

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

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

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

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

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

### **Cash**

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

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

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

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

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

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.

### **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.

### **Property and equipment, net**

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

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

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

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

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

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

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

#### **Intangible assets**

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

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

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

#### **Impairment of non-financial asset**

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

#### **Accounts payable and accrued expenses**

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

## **Equity**

### *Share capital*

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

### *Additional paid-in capital*

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

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

### *Retained earnings (deficit)*

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

## **Revenue recognition**

### *Revenue 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.

#### **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.

#### **Leases**

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a. the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b. the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c. the Group has the *right to direct the use* of the identified asset throughout the period of use.

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

#### As a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

#### As a lessee

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

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

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

##### (b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

#### **Retirement benefits cost**

Employee benefits are all forms of considerations given by the Group in exchange for service rendered by the employees. It includes short-term employee benefits and post-employment benefits.

##### *Short-term benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

##### *Termination Benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the

normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefits, or other long-term employee benefits.

#### *Retirement benefits*

The Group does not have a defined contribution plan or any formal retirement plan that covers the retirement benefits of its employees. However, under the existing regulatory framework, Republic Act No. 7641, otherwise known as the Philippine Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining agreement and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan.

Republic Act No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group.

The Group provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

#### **Income tax**

##### *Current income tax*

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit (or loss).
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent

that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

#### **Value Added Taxes (VAT)**

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

For acquisition of capital goods over ₱1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

Output tax pertains to the 12% VAT received or receivable on the local sale of goods or services by the Group. Input tax pertains to the 12% VAT paid or payable by the Group in the course of its trade or business on purchase of goods or services. At the end of each taxable period, if output tax exceeds input tax, the outstanding balance is paid to the taxation authority. If input tax exceeds output tax, the excess shall be carried over to the succeeding months.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'other current assets' or 'accounts payable and accrued expenses' in the comprehensive statements of financial position.

#### **Related 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.

#### **Earnings per share (EPS) attributable to equity holders**

Basic EPS is calculated by dividing the profit attributable to the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted EPS for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

The Group has no dilutive potential common shares outstanding.

#### **Provisions**

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a Group asset but only when the receipt of the reimbursement is virtually certain.

#### **Contingencies**

Contingent liabilities are not recognized in the Group consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Group consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

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

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

### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Going concern*

As of June 30, 2022 and 2021, the Group's management has made an assessment on the Group's ability to continue as a going concern in the current evolving environment especially on the impact of COVID-19 pandemic and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### *Determination of functional currency*

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

#### *Fair value measurements*

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

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

#### *Classifying financial instruments*

The Group 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.

### *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 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.

### *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 June 30, 2022 and 2021 amounted to ₱23,835,379, and ₱23,165,242, respectively (Note 31).

#### Group as a lessee

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

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

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

Leases are further disclosed in Notes 19 and 31.

#### *Repairs and maintenance*

Costs of repairs and maintenance that do not result in an increase in the future economic benefit of an item of property and equipment is charged to operations in the period it is incurred. Otherwise, it is capitalized as part of the asset.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Fair value of financial instruments*

PFRS requires that financial assets and financial liabilities be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any change in the fair values of financial assets and financial liabilities directly affects profit or loss, equity, and the required disclosures.

Where the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair values are determined using valuation techniques that are generally-accepted market valuations including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair values of financial assets and financial liabilities by category and their fair value hierarchy are set out in Note 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 2022 and 2021. The carrying amounts of the Group's financial assets are as follows:

	2022	2021
Cash and cash equivalents	<b>₱52,985,316</b>	₱32,275,651
Receivables	<b>165,858,011</b>	155,854,263
Refundable deposits	<b>11,066,125</b>	11,560,996
	<b>₱229,909,452</b>	₱199,690,910

#### *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 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 ₱149,004,715 and ₱150,522,844 as of June 30, 2022 and 2021, respectively) amounted to ₱165,858,011 and ₱155,854,263 as of June 30, 2022 and 2021, respectively (see Note 12).

The carrying amount of other current assets amounted to ₱23,307,113 and ₱24,635,125 as of June 30, 2022 and 2021, respectively as discussed in Note 13.

In June 30, 2022 and 2021, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱14,336,880 and ₱14,336,880, respectively, as shown also in Note 13.

#### *Estimating allowance for credit losses of advances*

Advances to Polymax amounting to ₱346,297,967 and ₱573,741,074 as of June 30, 2022 and 2021, respectively, constitute 45.95% and 63.35% of the Group's total assets as of June 30, 2022 and 2021, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 14.

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 ₱177,954,497 and ₱177,902,335 for the 2nd quarter 2022 and 2021., respectively. No write-off and recoveries were recognized by the Company as of June 30, 2022 and 2021.

#### *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 2022 and 2021 of the 2nd quarter.

#### *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 the 1<sup>st</sup> quarter of 2022 and 2021.

#### *Evaluation of impairment of noncurrent non-financial assets*

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of June 30, 2022 and 2021. As of June 30, 2022 and 2021, property and equipment, net of accumulated depreciation, amounted to ₱73,167,202 and ₱80,632,154, respectively, (Note 16)

#### *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 the 2<sup>nd</sup> quarter of 2022 and 2021, 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 19).

#### *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.

#### *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 28 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 June 30, 2022 and 2021, respectively.

#### **Provision and contingencies**

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

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 32. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

## **6. BUSINESS COMBINATION**

The Parent Company, Metro Alliance Holdings and Equities Corp., owns the following and these are accounted using the acquisition method:

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

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

### *Non-operating subsidiaries*

### Consumer Products Distribution Services, Inc. (CPDSI)

CPDSI is a wholly owned subsidiary of the Parent Company. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). On November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business. Currently, CPDSI has no business operations.

### FEZ-EAC Holdings, Inc.

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

### Zuellig Distributors, Inc.

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

### Asia Healthcare, Inc.

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

Management is considering a rationalization plan to address the future of these non-operating subsidiaries.

## **7. SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS**

In determining whether an NCI is material to the Parent Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Parent Company's interests in these entities, and the effects of those interests on the Parent Company's financial position. Factors

considered include, but not limited to, carrying value of the subsidiary's NCI relative to the NCI recognized in the Parent Company's consolidated financial statements, the subsidiary's contribution to the Parent Company's consolidated revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on management's assessment, the Group has concluded that MCLSI is considered a subsidiary with NCI that is material to the Parent Company.

The ability of the subsidiary to pay dividends or make other distributions or payments to their shareholders (including the Parent Company) is subject to applicable law and other restrictions contained in financing agreements, shareholder agreements and other agreements that prohibit or limit the payment of dividends or other transfers of funds.

## **8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments are composed of cash and cash equivalents, receivable and payables. The main purpose of these financial instruments is to raise finances for the Group's operations. The risks arising from the use of financial instruments are managed through a process of on-going identification, measurement, and monitoring. This process of risk management is critical to the Group's continuing profitability.

The BOD is ultimately responsible for overall risk management approach, monitoring risk exposures, and approving risk mitigation strategies and policies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

### **Objectives and policies**

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group is cash. This financial instrument is used mainly for working capital management purposes. Trade-related financial assets and financial liabilities of the Group such as trade and other receivables and trade and other payables, excluding statutory liabilities, arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **Interest Rate Risk**

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of June 30, 2022 and 2021, the Group has no significant interest rate risk exposures since the interest rates are fixed up to the date of maturity.

### **Liquidity Risk**

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below shows the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management as of June 30:

	On Demand	Within 1 Year	More than 1 Year	Total
<b>Financial Assets at amortized cost:</b>				
Cash excluding cash in hand	₱52,798,316	₱-	₱-	₱52,798,316
Trade and other receivables	-	165,858,011	-	165,858,011
Advances to related parties	-	-	346,297,967	346,297,967
Refundable deposits	-	124,898	10,941,227	11,066,125
<b>Total</b>	<b>52,798,316</b>	<b>165,982,909</b>	<b>357,239,194</b>	<b>576,020,419</b>
<b>Financial Assets at FVOCI</b>	-	-	19,197,485	19,197,485
<b>Total</b>	<b>52,798,316</b>	<b>165,982,909</b>	<b>376,436,679</b>	<b>595,217,904</b>
<b>Financial Liabilities:</b>				
Account payables and accrued expenses*	-	284,680,092	123,438,803	408,118,895
Lease liability	-	31,527,864	24,488,841	56,016,705
Due to related parties	-	275,491,942	-	275,491,942
<b>Total</b>	-	<b>591,699,898</b>	<b>147,927,644</b>	<b>739,627,542</b>
<b>Net Position</b>	<b>₱52,798,316</b>	<b>(₱425,716,989)</b>	<b>₱228,509,035</b>	<b>(₱144,409,638)</b>

\*excluding government liabilities

2021

	On Demand	Within 1 Year	More than 1 Year	Total
<b>Financial Assets at amortized cost:</b>				
Cash excluding cash in hand	₱32,097,651	₱-	₱-	₱32,097,651
Trade and other receivables	-	155,854,263	-	155,854,263
Advances to related parties	-	-	573,741,074	573,741,074
Refundable deposits	-	124,898	11,436,098	11,560,996
<b>Total</b>	<b>32,097,651</b>	<b>155,979,161</b>	<b>585,177,172</b>	<b>773,253,984</b>
<b>Financial Assets at FVOCI</b>	-	-	20,921,885	20,921,885
<b>Total</b>	<b>32,097,651</b>	<b>155,979,161</b>	<b>606,099,057</b>	<b>794,175,869</b>
<b>Financial Liabilities:</b>				
Account payables and accrued expenses*	-	277,436,698	123,438,803	400,875,501
Lease liability	-	34,051,307	34,810,789	68,862,096
Due to related parties	-	274,331,810	-	274,331,810
<b>Total</b>	-	<b>585,819,815</b>	<b>158,249,592</b>	<b>744,069,407</b>
<b>Net Position</b>	<b>₱32,097,651</b>	<b>(₱429,840,654)</b>	<b>₱447,849,465</b>	<b>₱50,106,462</b>

\*excluding government liabilities

### **Credit Risk**

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements).

As at June 30, 2021, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired.

- a. Financial information on the Group's maximum exposure to credit risk as of June 30, 2022, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	<b>2022</b>	2021
Cash and cash equivalents	<b>₱52,985,316</b>	₱32,275,651
Receivables	<b>165,858,011</b>	155,854,263
Advances to related parties	<b>346,297,967</b>	573,741,074
Refundable deposits	<b>11,066,125</b>	11,560,996
	<b>₱576,207,420</b>	₱773,431,984

The Group does not hold any collateral as security or other credit enhancements attached to its financial assets.

The credit risk for is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

- b. Credit quality per class of financial assets

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

#### *Financial assets at FVOCI*

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Group. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

#### *Financial assets at amortized cost*

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The following table show a comparison of the credit quality of the Group's financial assets by class as at the reporting date as of June 30:

	2022			
	Neither past due nor impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
<b>Financial Assets at amortized cost</b>				
Cash excluding cash on hand	P52,798,316	P-	P-	P52,798,316
Trade Receivables (gross)	-	124,942,414	-	124,942,414
Other Receivables (gross)	-	-	40,746,584	40,746,584
Advances to related parties	-	346,297,967	-	346,297,967.49
Refundable Deposit	11,066,125	-	-	11,066,125
<b>Subtotal</b>	<b>63,864,441</b>	<b>471,240,382</b>	<b>40,746,584</b>	<b>575,851,406</b>
<b>Financial Assets at FVOCI</b>	<b>19,197,485</b>	<b>-</b>	<b>-</b>	<b>19,197,485</b>
<b>Total</b>	<b>P83,061,926</b>	<b>P471,240,382</b>	<b>P40,746,584</b>	<b>P595,048,891</b>

	2021			
	Neither past due nor impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
<b>Financial Assets at amortized cost</b>				
Cash excluding cash on hand	P32,097,651	P-	P-	P32,097,651
Trade Receivables (gross)	-	115,098,728	-	115,098,728
Other Receivables (gross)	-	-	40,586,523	40,586,523
Advances to related parties	-	573,741,074	-	573,741,074
Refundable Deposit	11,560,996	-	-	11,560,996
<b>Subtotal</b>	<b>43,658,648</b>	<b>688,839,802</b>	<b>40,586,523</b>	<b>773,084,972</b>
<b>Financial Assets at FVOCI</b>	<b>20,921,885</b>	<b>-</b>	<b>-</b>	<b>20,921,885</b>
<b>Total</b>	<b>P64,580,533</b>	<b>P688,839,802</b>	<b>P40,586,523</b>	<b>P794,006,857</b>

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults.

The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

## **9. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debt, return capital to shareholders or issue new shares.

The Group considers its equity as capital.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below as of June 30:

	2022	2021
Total liabilities	P750,603,111	P753,010,773
Total equity	3,042,837	152,722,245
Debt-to-equity ratio	246.68	4.93

The Group has remained steadfast to regain its equity funding. Several actions were taken to conserve and manage the capital structure (Note 2).

## 10. FAIR VALUE MEASUREMENT

### Carrying amounts and fair values by category

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments for the quarters ended June 30, 2022 and 2021:

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at amortized cost				
Cash excluding cash on hand	P52,798,316	P52,798,316	P32,097,651	P32,097,651
Trade and other receivables	165,858,011	165,858,011	155,854,263	155,854,263
Advances to related party	346,297,967	346,297,967	573,741,074	573,741,074
Refundable deposits	11,066,125	11,066,125	11,560,996	11,560,996
Subtotal	576,020,419	576,020,419	773,253,984	773,253,984
Financial Assets at FVOCI	19,197,485	19,197,485	20,921,885	20,921,885
Total	595,217,904	595,217,904	794,175,869	794,175,869
Financial Liabilities				
Accounts payable & accrued expense*	408,118,895	408,118,895	400,875,501	400,875,501
Lease liability	56,016,705	56,016,705	68,862,096	68,862,096
Due to related parties	709,181	709,181	274,331,810	274,331,810
Total	P464,844,781	P464,844,781	P744,069,407	P744,069,407

\*excluding 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 liabilities*

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

#### *Financial assets at FVOCI*

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted equity securities are carried at cost, subject to impairment.

#### *Financial assets at amortized cost*

The carrying value of debt investment approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

*Due from/to related parties.* The carrying amounts of these related party transactions approximate their fair values.

#### Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy Group's financial assets

and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

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

The following table summarizes the fair value hierarchy of the Group's financial assets and liabilities, which are measured at fair value or requires disclosure as prescribed by other PFRS, as at June 30, 2022 and 2021:

	2022		2021	
	Level 1	Level 3	Level 1	Level 3
Financial assets at amortized cost				
Cash	<b>₱52,985,316</b>	<b>₱-</b>	₱32,275,651	<b>₱-</b>
Trade and other receivables, net	-	<b>165,858,011</b>	-	155,854,263
Refundable deposits	-	<b>11,066,125</b>	-	11,560,996
Subtotal	<b>52,985,316</b>	<b>176,924,136</b>	32,275,651	167,415,259
Financial assets at FVOCI	<b>19,197,485</b>	-	20,921,885	-
Total	<b>72,182,801</b>	<b>176,924,136</b>	53,197,536	167,415,259
Financial liabilities				
Accounts payable & accrued expenses	-	<b>408,118,895</b>	-	400,875,501
Lease liability	-	<b>56,016,705</b>	-	68,862,096.00
Due to related parties	-	<b>275,491,942</b>	-	274,331,810
Total	<b>₱-</b>	<b>₱739,627,542</b>	<b>₱-</b>	<b>₱744,069,407</b>

As at June 30, 2022 and 2021, 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 second quarter of 2022 and 2021.

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

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

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

## **11. CASH**

Details of cash are as follows as of June 30:

	2022	2021
Cash on hand	<b>₱187,000</b>	₱178,000
Cash in banks	<b>52,798,316</b>	32,097,651
	<b>₱52,985,316</b>	₱32,275,651

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱11,797 and ₱15,647 as of June 30, 2022 and 2021, respectively.

## **12. TRADE AND OTHER RECEIVABLES**

Details of receivables are as follows as of June 30:

	2022	2021
Notes receivables	P <b>143,865,021</b>	P143,865,021
Trade receivables	<b>124,942,414</b>	116,616,857
Due from affiliates	<b>5,308,707</b>	5,308,706
Others receivables	<b>40,746,584</b>	40,586,523
	<b>314,862,726</b>	306,377,107
Less allowance for probable loss	<b>(149,004,715)</b>	(150,522,844)
	<b>P165,858,011</b>	P155,854,263

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

	2022	2021
Balance at beginning of year	P <b>150,522,844</b>	P149,004,715
Reversal of allowance	<b>(1,518,129)</b>	-
Provision for the year	-	1,518,129
Balance at end of year	<b>P149,004,715</b>	P150,522,844

### **13. OTHER CURRENT ASSETS, NET**

Details are as follows as of June 30:

	2022	2021
Creditable withholding taxes	P <b>9,301,015</b>	P9,301,015
Input taxes	<b>8,677,075</b>	9,992,958
Refundable deposits	<b>124,898</b>	124,898
Prepayments and others	<b>19,541,005</b>	19,553,133
	<b>37,643,992</b>	38,972,004
Less: allowance for probable losses	<b>14,336,879</b>	14,336,879
	<b>P23,307,113</b>	P24,635,125

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.

### **14. ADVANCES TO RELATED PARTIES**

Advances amounting to P346,297,967 and P573,741,074, which constitutes 45.95% and 63.35% of the Group's total assets as of June 30, 2022 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 was issued by the major stockholders of the Parent Company.

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

In June 30, 2022 and 2021, the Company made additional collections of the advances from Polymax amounting to ₱1,422,033 and ₱3,308,761, respectively.

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

#### *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.

## **15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

As of June 30, the account consists of:

	2022	2021
At acquisition cost	₱16,270,963	₱16,270,963
Cumulative fair value gain (loss) – in equity	2,926,522	4,650,922
	<b>₱19,197,485</b>	<b>₱20,921,885</b>

The investment in securities consists of investment in shares of stock of a publicly listed Group whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

## **16. PROPERTY AND EQUIPMENT, NET**

As of June 30, this account consists of the following:

June 30, 2022	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
<b>Cost</b>						
Balances at beginning of year	₱5,797,583	₱35,411,347	₱20,302,903	₱296,141	₱148,996,122	210,804,096
Additions/(Disposals)	2,116,439	5,122,149	1,565,791	-	-	8,804,379
Balances at end of year	7,914,022	40,533,495	21,868,693	296,141	148,996,122	219,608,475
<b>Accumulated Depreciation</b>						
Balances at beginning of year	3,380,375	27,007,205	17,655,826	260,874	95,027,444	143,331,724
Depreciation	594,761	1,686,578	792,945	35,266	-	3,109,549
Additions/(Disposals)	-	-	-	-	-	-
Balances at end	3,975,136	28,693,783	18,448,771	296,139	95,027,444	146,441,273
Net book value	<b>₱3,938,886</b>	<b>₱11,839,713</b>	<b>₱3,419,923</b>	<b>₱2</b>	<b>₱53,968,679</b>	<b>₱73,167,202</b>

June 30, 2021	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
<b>Cost</b>						
Balances at beginning of year	₱2,778,558	₱28,284,724	₱17,874,494	₱296,141	₱129,512,590	₱178,746,507
Additions/(Disposals)	2,360,492	6,725,730	1,705,883	-	-	10,792,105
Balances at end of year	5,139,050	35,010,454	19,580,377	296,141	129,512,590	189,538,612
<b>Accumulated Depreciation</b>						
Balances at beginning of year	2,511,769	24,275,167	16,167,862	190,342	63,454,365	106,599,505
Depreciation	326,934	1,237,097	707,067	35,266	-	2,306,364
Additions/(Disposals)	-	-	-	-	-	-
Balances at end of 2nd quarter	2,838,703	25,512,264	16,875,518	225,608	63,454,366	108,906,459
Net book value	₱2,300,347	₱9,498,189	₱2,704,859	₱70,534	₱66,058,225	₱80,632,154

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:

	2022	2021
Cost of services	₱-	₱-
General and administrative expenses	1,627,618	1,356,341
	<b>₱1,627,618</b>	<b>₱1,356,341</b>

#### 17. OTHER NONCURRENT ASSETS

As of June 30, this account composed of the following:

	2022	2021
Refundable deposits – non-current portion	₱10,941,227	₱11,436,098
Intangible assets	377,343	678,336
	<b>₱11,318,570</b>	<b>₱12,114,434</b>

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of June 30, 2022 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
<b>Cost:</b>			
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	2,665,039	24,999	2,690,038
<b>Total</b>	<b>5,135,084</b>	<b>24,999</b>	<b>5,160,083</b>
<b>Accumulated Amortization:</b>			
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	2,169,145	143,551	2,312,696
<b>Total</b>	<b>4,639,190</b>	<b>143,551</b>	<b>4,782,741</b>
<b>Carrying amount</b>	<b>₱495,894</b>	<b>(₱118,552)</b>	<b>₱377,343</b>

The carrying amount of intangible assets as of June 30, 2021 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	2,590,039	75,000	2,665,039
<b>Total</b>	<b>5,060,084</b>	<b>75,000</b>	<b>5,135,084</b>
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,720,134	265,570	1,985,704
<b>Total</b>	<b>4,190,179</b>	<b>265,570</b>	<b>4,455,749</b>
<b>Carrying amount</b>	<b>₱869,905</b>	<b>(₱190,570)</b>	<b>₱679,336</b>

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.

## **18. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Details of this account are shown below as of June 30:

	<b>2022</b>	<b>2021</b>
Current Portion		
Trade Payables	<b>₱55,106,453</b>	₱67,343,224
Accrued Expenses	<b>174,289,612</b>	173,014,445
Other current liabilities	<b>55,284,025</b>	37,079,029
<b>Total</b>	<b>284,680,090</b>	277,436,698
Non-Current Portion		
Accrued Expenses	<b>123,438,803</b>	123,438,803
<b>Total</b>	<b>₱408,118,893</b>	₱400,875,501

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Group and Polymax and pending claims and tax assessment solely against the Group. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

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

Other liabilities mainly pertain to payable to government agencies.

These liabilities are unsecured and noninterest-bearing.

## **19. LEASE LIABILITY**

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of June 30, 2022 and 2021, the Group's determined incremental rate used is 5%.

	2022	2021
Lease liability		
Current	<b>₱31,527,864</b>	₱34,051,307
Noncurrent	<b>24,488,841</b>	34,810,789
<b>Total</b>	<b>₱56,016,705</b>	<b>₱68,862,096</b>

## 20. DUE TO RELATED PARTIES

Details of this account are as follows as of June 30:

	2022	2021
Acesite Phils Hotel Corp	<b>₱-</b>	₱5,627,202
The Wellex Group, Inc	-	-
Philippine Estate Corporation	<b>274,782,761</b>	268,260,352
Others	<b>709,181</b>	444,257
<b>Total</b>	<b>₱275,491,942</b>	<b>₱274,331,810</b>

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 29).

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms (Note 29).

## 21. 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.

## 22. SHARE CAPITAL

The Group's capital stock as of June 30 consists of the following common shares:

	2022	2021
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	<b>₱720,000,000</b>	₱720,000,000
Issued and outstanding – 183,673,470 shares with par value of ₱1	<b>183,673,470</b>	183,673,470
Number of equity holders	<b>629</b>	629

Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	<b>480,000,000</b>	480,000,000
Issued and outstanding – 122,448,979 shares with par value of ₱1	<b>122,448,979</b>	122,448,979
Number of equity holders	<b>404</b>	404
 Additional Paid-in Capital	 <b>₱3,571,923</b>	 ₱3,571,923

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

On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Group's management has decided to pursue the said increase in authorized capital stock of the Group.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation, specifically, Article ninth to declassify common shares class A and B shares resulting to one common shares and also Article sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of June 30, 2022, the amendment is pending for SEC approval.

### **23. CUMULATIVE DEFICIT**

This account consists of cumulative balance of periodic earnings and prior period adjustments, if any.

As of June 30, the account consists of the following:

Particulars	2022	2021
Cumulative deficit, beginning	<b>(₱379,751,292)</b>	(₱214,668,844)
Recognition of expired and closing of unutilized NOLCO	-	-
Cumulative deficit, as adjusted	<b>(379,751,292)</b>	(214,668,844)
Net income (loss) based on the face of equity investments	<b>14,031,020</b>	5,089,803
Add: Non-actual gain/unrealized loss		
Unrealized loss (gain) on re-measurement of equity investments	-	-
Remeasurement loss (gain) on retirement plan	-	-
Non-controlling interest in net income	<b>(7,474,585)</b>	(3,880,469)
Net income (loss) actual/realized	<b>6,556,435</b>	1,209,334
Cumulative deficit, end	<b>(₱373,194,857)</b>	(₱213,459,510)

### **24. SALES OF SERVICES**

For the quarters ended June 30, 2022, 2021 and 2020, the account comprises of sale of services amounting to ₱80,737,910, ₱70,891,181 and ₱53,783,440, respectively.

### **25. COST OF SERVICES**

Details of this account are shown below for the 2nd quarter June 30:

	2022	2021
Personnel costs	<b>₱26,072,038</b>	₱28,148,999
Rent and utilities	<b>18,045,246</b>	16,858,488
Transportation and Travel	<b>11,927,365</b>	7,897,344
Outside services	<b>5,373,582</b>	5,885,376
Security services	<b>1,847,501</b>	2,482,879
Communication and office supplies	<b>144,887</b>	117,400

Repairs and maintenance	<b>824,510</b>	156,918
Others	<b>301,330</b>	214,441
	<b>₱64,536,461</b>	₱61,761,845

## **26. FINANCE AND OTHER INCOME (EXPENSES), NET**

Details of this account are shown below for the 2nd quarter June 30:

	<b>2022</b>	2021
Interest income	<b>₱11,797</b>	₱15,647
Miscellaneous	<b>169,643</b>	472,014
	<b>₱181,440</b>	₱487,662

## **27. GENERAL AND ADMINISTRATIVE EXPENSE**

Details of this account are shown below for the 2nd quarter June 30:

	<b>2022</b>	2021
Professional fee	<b>₱1,091,562</b>	₱ 714,162
Entertainment	<b>1,389,939</b>	342,610
Personnel cost	<b>3,363,272</b>	3,138,082
Rent and utilities	<b>477,306</b>	360,432
Amortization	<b>74,116</b>	122,233
Depreciation	<b>1,627,618</b>	1,356,341
Communication and supplies	<b>1,090,044</b>	1,332,937
Transportation and travel	<b>453,501</b>	(30,031)
Taxes and Licenses	<b>345,423</b>	2,403,691
Insurance	<b>75,982</b>	38,823
Miscellaneous	<b>(419,322)</b>	8,530
Others	<b>44,314</b>	<b>6,049</b>
	<b>₱9,613,755</b>	₱9,793,860

## **28. RETIREMENT BENEFIT COSTS**

The Parent Company has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of MCLSI's fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date.

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.

In 2020, the Board of Directors approved in its Board Resolution No. 12, dated December 23, 2020, the charge of gratuity pays of the retired employees, which amounted to ₱297,241, to accrued retirement benefits, and the write-off of the remaining retirement benefit payable of ₱672,444 since the Parent Company has no longer employees (Note 28).

## **29. RELATED PARTY TRANSACTIONS**

### **a. Due from/to related parties**

In 2020, the Parent Company acknowledged its obligation to PHES, an affiliate who granted an interest-bearing, due, and demandable loan in favor of the Parent Company.

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

b. Payables for shared operating expenses

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

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

c. Compensation of key management personnel follows:

Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly.

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

d. The related relationships and amounts applicable to the Group's transactions with related parties as of 2nd quarter 2022 and 2021 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

	Terms & Conditions	Transactions		Outstanding Balance	
		2022	2021	2022	2021
<b>Due from Related Parties</b>					
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	<b>₱-</b>	<b>₱-</b>	<b>₱5,258,410</b>	₱5,258,409
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	<b>50,297</b>	50,297
Total (Note 11)		-	-	<b>5,308,707</b>	5,308,706
<b>Advances</b>					
Polymax (Note 13)	Represents 20% share investment in NPCA	<b>(230,776,868)</b>	(3,333,761)	<b>346,297,967</b>	573,741,074
<b>Due to related parties</b>					
Acesite (Phils) Hotel Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	5,627,202
Philippine Estate Corporation	Secured, no impairment, no guarantee, interest bearing	-	-	<b>274,782,761</b>	268,260,352
Wellex Mining Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-

Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	<b>13,684</b>	236,957	<b>709,181</b>	444,257
Total (Note 17)		<b>₱13,684</b>	236,957	<b>₱275,491,942</b>	274,331,811

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 ₱52,876,888, with the Parent Company's payable to The Wellex Group, Inc. Due notice was given to both parties. (Note 20).

### 30. BASIC INCOME (LOSS) PER SHARE

Details of this account are shown below for June 30:

Particulars	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Net income/(loss) attributable to equity holders of the Parent Company	<b>₱3,305,580</b>	(₱1,457,709)	<b>₱6,556,434</b>	₱1,209,334
Weighted average number of common shares	<b>306,122,449</b>	306,122,449	<b>306,122,449</b>	306,122,449
Basic income per share	<b>₱0.0108</b>	(₱0.0048)	<b>₱0.0214</b>	₱0.0040

### 31. SIGNIFICANT COMMITMENTS

#### Lease Agreements

##### *As a lessor*

MCLSI, the operating subsidiary of the Parent Company recognized rent income, for the quarter ended June 30, 2022 and 2021 ₱23,835,379 and ₱23,165,242, respectively.

##### *As a lessee*

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

As permitted by PFRS 16, the Group applied the modified retrospective approach to existing operating leases which are capitalized under the new standard (i.e. retrospectively, with the cumulative effect recognized at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

Thus, in 2018, no restatement was made to the recognized rent expenses amounting to ₱35,490,383.

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

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

As of June 30, 2022, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱53,968,679 (Note 16) and ₱66,058,225 (Note 19), 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 was delayed due to limited movement within the region and the start of monsoon season.

The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by the government, businesses and individuals, which could result in different outcomes. Considering the evolving nature of the outbreak, the Group will continue to monitor the situation in subsequent periods.

## **32. OTHER MATTERS**

### **(a) Metro Alliance vs. Commissioner of Internal Revenue**

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

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

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

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

As of June 30, 2022, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.

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

*Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages*

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

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the

foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

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

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

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

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

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

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

As at June 30, 2022, this is awaiting 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 MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

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

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

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

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

On February 23, 2021, the case was set for the presentation of plaintiffs' evidence. However, the case was rescheduled on June 22, 2021 due to lack of return card of the notice of the hearing sent to defendant's counsel.

On April 18, 2022, MAHEC, et. al. received the Supreme Court's Notice of Judgment" dated April 4, 2022 with attached Decision dated September 15, 2021. In said Judgment, the Supreme Court denied both MAHEC, et. al.'s Petition for Review and PVB's Petition for Review by affirming the Court of Appeals' Decision with modifications. PVB filed its undated "Motion for Reconsideration" on May 5, 2022. In response to the Motion for Reconsideration, MAHEC, et. al. filed on May 30, 2022 their "Motion to Admit Opposition" with attached Opposition dated May 27, 2022, praying for the denial of PVB's Motion for Reconsideration.

As of June 30, 2022, this is still awaiting 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.

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 June 30, 2022, the case was on pre-trial stage and judicial dispute resolution.

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

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.  
AND SUBSIDIARIES  
APPENDIX A – FINANCIAL SOUNDNESS**

	Jan-Jun 30 2022	Jan-Jun 30 2021
<b>Profitability ratios:</b>		
Return on assets	1.86%	0.56%
Return on equity	461.12%	3.33%
Net profit margin	9.11%	3.70%
<b>Solvency and liquidity ratios:</b>		
Current ratio	76.41%	67.00%
Debt to equity ratio	24,667.87%	493.06%
Quick Ratio	16.72%	10.16%
<b>Financial leverage ratio:</b>		
Asset to equity ratio	24667.87%	593.06%
Debt to asset ratio	99.60%	83.14%
Interest rate coverage ratio	NIL	NIL

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES****RECEIVABLES AGING SUMMARY**

As of June 30, 2022

	<b>Current</b>	<b>0 - 30</b>	<b>31 - 60</b>	<b>61 - 90</b>	<b>91 - 120</b>	<b>121+</b>	<b>Total</b>
<b>Notes receivable</b>	₱-	₱-	₱-	₱-	₱-	₱143,865,021	₱143,865,021
<b>Trade receivable</b>	32,059,341	22,746,239	16,022,464	6,810,256	7,284,625	40,019,489	124,942,414
<b>Due from affiliates</b>	-	-	-	-	-	5,308,707	5,308,707
<b>Others</b>	-	-	-	-	-	40,746,584	40,746,584
<b>Subtotal</b>	32,059,341	22,746,239	16,022,464	6,810,256	7,284,625	229,939,801	314,862,726
<b>Allowance for doubtful accounts</b>							(149,004,715)
	₱32,059,341	₱22,746,239	₱16,022,464	₱6,810,256	₱7,284,625	₱229,939,801	₱165,858,011