Certification

I, Annabelle T. Abunda, Compliance Officer of Wellex Industries, Inc., with SEC registration number 0000011790 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

1) That on behalf of Wellex Industries, Inc., 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, Wellex Industries, Inc., 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.

AUG 2 4 2022

Affiant
TIN: 205-231-659

AUG 2 4 2022

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

NOTARY PUBLIC

Doc No. 114
Page No. 27
Book No. LXIII
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

0 0 0 0 0 1 1 7 9 0

SEC Registration No.

W E L L E X   I N D U S T R I E S , I N C .
A N D   S U B S I D I A R I E S

(Company's Full Name)

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

Amando J. Ponsaran, Jr.	**(632) 706-7888**
Contact Person	Contact Telephone No.

1 2 3 1	2 0 - I S P R E L I M I N A R Y	**Any day of May**
Fiscal Year	FORM TYPE	Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,000		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

20-IS PRELIMINARY: WIN

WELLEX INDUSTRIES, INC.
LISTED IN THE PHILIPPINE STOCK EXCHANGE

TABLE OF CONTENTS

WELLEX INDUSTRIES, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of **WELLEX INDUSTRIES INC.** (the "Corporation"), in accordance to SEC Memorandum Circular No. 6, Series of 2020 will be held on Tuesday, **October 04, 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 Previous Stockholders' Meeting for the year 2021;
4. President's Report to the Stockholders for the Year 2021 and Approval of the Annual Report;
5. Ratifications of the Acts of the Board and Management;
6. Election of the Board of Directors to Serve for the Term 2022-2023;
7. Appointment of External Auditor;
8. Appointment of External Counsel;
9. Other 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 04, 2022**.

PARTICIPATION ONLY VIA REMOTECOMMUNICATION. Stockholders can only participate in the meeting by remote communication on **October 04, 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 wellexindustries.ASM@gmail.com not later than October 2, 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 02, 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.

AMANDO J. PONSARAN JR
Corporate Secretary
Unit 3104, 31st Floor Antel Global Corporate Centre
#3 Dona Julia Vargas Avenue, Ortigas Center, Pasig City

BALLOT / PROXY FORM

Please mark as applicable:

☐ **<u>Vote By Ballot</u>**: The undersigned stockholder of **WELLEX INDUSTRIES, INC.** (the "Company") casts his/her vote on the agenda items for the Annual Meeting of Stockholders on **October 4, 2022**.

☐ **<u>Vote By Proxy</u>**: The undersigned stockholder of **WELLEX INDUSTRIES, INC.** (the "Company"), do hereby constitutes and appoints ____, or in his/her absence, the Chairman of the meeting, as attorney in-fact and proxy, with the power of substitution, to represent and vote upon __________________________ shares registered in the name of undersigned stockholder, at the Annual Meeting of Stockholders on **October 4, 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 26, 2021			
4	• Approval of Annual Financial Statements as of December 31, 2021			
5	• Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.			
6	• Election of Directors *All nominees listed below Ruben D. Torres William T. Gatchalian Kenneth T. Gatchalian Elvira A. Ting Lamberto B. Mercado, Jr. Richard L. Ricardo Omar M. Guinomla Sergio R. Ortiz-Luis, Jr. Renato C. Francisco *(Independent Director)* Josaias T. Dela Cruz *(Independent Director)* Aristeo R. Cruz *(Independent Director)* *Note:* *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.*	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
7	• Appointment of Diaz Murillo Dalupan and Co. as external auditor for 2022			
8	• Appointment of Corporate Counsels, Phils. Law Offices as external legal counsel 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 2, 2022. KINDLY EMAIL TO **WELLEXINDUSTRIES.ASM@GMAIL.COM**.

THIS BALLOT/PROXY FORM 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
SECURITIES REGULATION CODE

1. Check the appropriate box:
✓ Preliminary Information Statement
Definitive Information Statement

2. Name of Registrant as specified in its charter: **WELLEX INDUSTRIES, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **11790**

5. BIR Tax Identification Code: **003-946-426-000**

6. Address of registrant's principal office: **35th Flr. One Corporate Centre, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City 1605**

7. Registrant's telephone number, including area code: **(632) 8706-7888**

8. Date, time and place of the annual stockholders' meeting:

Date & Time:	**October 4, 2022 at 10:00 A.M.**
Place:	**35th Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Avenue, Ortigas Center, Pasig City, 1605 (Virtually or via Remote Communication in accordance with SEC Memorandum Circular No. 6 series of 2020)**

9. Approximate date on which the Information Statement is first to be published through alternative mode of distribution through the Corporation's Website and PSE Edge: **September 12, 2022**

10. In case of proxy Solicitation : **Not applicable**

11. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares- P1.00 par value	**Issued and Outstanding - 3,271,952,740**

12. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes __X__ No ___

The common shares of the Corporation are listed on the Philippine Stock Exchange.

PART 1

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

Date, Time and Place of Meeting:	**October 4, 2022 10:00 A.M. 35th Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City, 1605 (Via Remote Communication in accordance with SEC Memorandum Circular No. 6 series of 2020)**
Complete Registrant's Mailing Address (Principal Office):	**35th Flr. One Corporate Centre Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City, 1605**
The approximate date on which the Information Statement are first to be published through alternative mode of distribution through Corporation's Website and PSE Edge:	**September 12, 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 of security holders of their appraisal rights under Title X of the Corporation of the Philippines.

THE STOCKHOLDER MUST VOTE AGAINST THE PROPOSED CORPORATE ACTION IN ORDER TO AVAIL HIMSELF OF THE APPRAISAL RIGHT

Item 3. Interest of Certain Persons in Matters to be acted upon
Each of the incumbent Directors or Officers of the Corporation since the beginning of the last fiscal year or any associate of any of the foregoing persons do not have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

None of the incumbent Directors of the Corporation has issued any notice in writing of an intention to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND OTHER INFORMATION

Item 4. Voting Securities and Principal Holders Thereof
(a) Class of Voting Shares as of July 31, 2022:

Common Shares:	Shares Outstanding	No. of Vote Each Share is Entitled
Filipino	3,259,522,963	**One (1) vote per share**
Foreigner	12,429,777	**One (1) vote per share**
Total	3,271,952,740	

The Corporation has 3,271,952,740 outstanding common shares, the only class of shares issued by the Corporation, as of July 31, 2022. Every stockholder shall be entitled to one vote for each share of stock held as of record date September 9, 2022.

(b) Out of the total outstanding shares of 3,271,952,740 as of July 31, 2022, number of shares of Common Stock owned by foreigners was 14,659,777 or 0.38%. Each share is entitled to one vote as of the established record date.

Record Date:
(c) All stockholders of record as of **September 9, 2022** are entitled to notice and vote at the Corporation's Annual Meeting of the Stockholders.

(d) Manner of Voting:
The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised Corporation Code of the Philippines. 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 such votes for a single nominee or may apportion such votes among any two or more nominees.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".

Security Ownership of Certain Record and Beneficial Owners and Management:

(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. The percentage of shares held is based on the outstanding shares of 3,271,952,740.

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	% to total o/s shares
Common	PCD Nominee Corporation 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo De Roxas, Makati City (Stockholder)	PCD Participants and their clients (see Schedule A)	Filipino	931,005,225	28.454
Common	William T. Gatchalian, 35F One Corporate Centre, Julia Vargas, Ortigas Center, Pasig City (Stockholder)	same as record owner	Filipino	835,000,100	25.520
Common	Dee Hua T. Gatchalian, 35F One Corporate Centre, Doña Julia Vargas ave., Ortigas Center, Pasig City (Stockholder)	same as record owner	Filipino	492,962,532	15.066
Common	Sherwin T. Gatchalian, 35F One Corporate Centre, Doña Julia Vargas ave., Ortigas Center, Pasig City (Stockholder)	same as record owner	Filipino	317,750,100	9.711
Common	Shinji Kobayashi,c/o TWGI, 35F One Corporate Centre, Doña Julia Vargas ave., Ortigas Center, Pasig City (Stockholder)	same as record owner	Filipino	210,650,000	6.438

Schedule A. PCD Nominee Corp. (PCNC) is a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owner of such shares is PCD's participants who hold the shares on their behalf or in behalf of their clients. Shares lodge with PCD are voted through its appointed proxy, whom the Company can only determine on October 3, 2022, the deadline for submission of proxies. PCD is not related to Wellex Industries, Inc.

(2) Security Ownership of Management (As of July 31, 2022)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Atty. Ruben D. Torres	100 (direct)	Filipino	0.000
Common	Kenneth T. Gatchalian	100,000,100 (direct)	Filipino	3.056
Common	Elvira A. Ting	111,850,000 (direct)	Filipino	3.418
Common	William T. Gatchalian	835,000,100 (direct)	Filipino	25.520
Common	Atty. Lamberto B. Mercado, Jr.	200 (direct)	Filipino	0.000
Common	Richard L. Ricardo	460,000 (direct)	Filipino	0.014
Common	Omar M. Guinomla	100,000 (direct)	Filipino	0.003
Common	Sergio R. Ortiz-Luis, Jr.	100 (direct)	Filipino	0.000
Common	Renato C. Francisco	100 (direct)	Filipino	0.000
Common	Josaias T. Dela Cruz	2,000 (direct)	Filipino	0.000
Common	Atty. Aristeo R. Cruz	10,000 (direct)	Filipino	0.000
	Amando J. Ponsaran, Jr.	-	Filipino	0.000
	Annabelle T. Abunda	-	Filipino	0.000
All directors and officers as a group		**1,047,422,700**		**32.011**

(3) There is no person who holds more than 5% of a class under a voting trust holder or similar agreement.

(4) There has been no arrangement of which may result in a change in the control of the registrant.

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

Item 5. Directors and Executive Officers
Information required hereunder is incorporated by reference to the section entitled "Directors and Executive Officers of the Registrant" on pages 62 to 67 of the Management Report.

The following are the nominees for election as members of the Board of Directors of the corporation for the ensuing year:

	Name	Position	Age	Citizenship
1.	Atty. Ruben D. Torres	Chairman	80	Filipino
2.	Kenneth T. Gatchalian	President/CEO	46	Filipino
3.	Elvira A. Ting	Vice President	61	Filipino
4.	William T. Gatchalian	Director	72	Filipino
5.	Atty. Lamberto B. Mercado Jr.	Director	57	Filipino
6.	Richard L. Ricardo	Treasurer	59	Filipino
7.	Omar M. Guinomla	Director	50	Filipino
8.	Sergio R. Ortiz-Luis, Jr.	Director	79	Filipino
9.	Renato C. Francisco	Independent Director	74	Filipino
10.	Josaias T. Dela Cruz	Independent Director	61	Filipino
11.	Atty. Aristeo R. Cruz	Independent Director	56	Filipino

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 pages 62 to 67 of Management Report. The independent directors, Atty. Aristeo R. Cruz, Mr. Renato C. Francisco and Mr. Josaias T. Dela Cruz will be serving their 2nd year, respectively, 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 name of the person who recommended the nomination of the foregoing candidates for independent directors is Ms. Elvira A. Ting. She has no relationships with these nominees.

None of the candidates for independent directors of the Corporation are related to Wellex Industries, Inc.

The Members of the Nomination Committee are the following:

1. Renato C. Francisco - Chairman
2. Elvira A. Ting - Member
3. Kenneth T. Gatchalian - Member

Information required by SEC under SRC Rule 38 on the nomination and election of Independent Directors.

A. Definition

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:

   1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;
1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.

3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

4. When used in relation to a company subject to the requirements above:

 4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
 4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. Qualifications and Disqualifications of Independent Directors

1. An independent director shall have the following qualifications:

 1.1 He shall have at least one (1) share of stock of the corporation;
 1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
 1.3 He shall be twenty-one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified independent directors up to the age of eighty (80);
 1.4 He shall have been proven to possess integrity and probity; and
 1.5 He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

 2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;
 2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the corporation where he is such director;
 2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;

2.4 Such other disqualifications that the Corporate Governance Manual provides.

C. Number of Independent Directors

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is the lesser.

D. Nomination and Election of Independent Directors

1. The Nomination Committee (the “Committee”) shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation’s information or proxy statement or such other reports required to be submitted to the Commission.

2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders’ meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.

6. Election of Independent Director/s

    6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.
    6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders’ meeting.
    6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
    6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

E. Termination/Cessation of Independent Directorship

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The procedures for the “Nomination and Election of Independent Directors pursuant to SRC Rule 38” are to be incorporated in the By-Laws of the Corporation. The Board of Directors approved the amendments to the Corporation’s By-Laws to adopt SRC Rule 38 on December 14, 2004.

The By-Laws of the corporation were amended after the Stockholders' meeting on July 1, 2011 which includes the provisions of SRC Rule 38, as approved by the Board of Directors and Stockholders during the last Stockholders' meeting dated December 14, 2004.

F. Term Limits for Independent Directors

Pursuant to SEC Memorandum Circular No. 4 Series of 2017, the Commission in its en banc meeting on March 9, 2017 resolved to amend its rules on the term limit of independent directors as follows:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;
2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;
3. 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; and
4. Reckoning of the cumulative nine-year term is from 2012.

Significant Employees

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

Family Relationships

Except for the father and son relationship between Mr. William T. Gatchalian and Mr. Kenneth T. Gatchalian and Ms. Elvira A. Ting who is the sister-in-law of Mr. William T. Gatchalian, there are no family relationship up to fourth civil degrees either by consanguinity or affinity exists among the directors and executives.

Involvement in Certain Legal Proceedings

None of the directors and executive officers was involved in certain legal proceedings during the past five (5) years up to the latest date. Neither have they been convicted by final judgment in any criminal proceedings, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

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 18 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

	Increase/ (Decrease) (%)	**2021**		2020	
		Receivables	**Payables**	Receivables	Payables
The Wellex Group, Inc.	**(5.27%)**	**₱50,841,257**	**₱13,722,810**	₱52,905,441	₱13,722,810
Metro Alliance Holdings & Equities Corp.	**–**	**105,060,000**	**–**	105,060,000	–
Diamond Stainless Corporation	**(24.78%)**	–	**70,557,800**	–	93,807,670
Kenstar Industrial Corporation	**–**	–	**23,539,858**	–	23,539,858
Rexlon Realty Corporation	**–**	–	**23,187,370**	–	–
Philippine Estates Corporation	**12.80%**	**1,000,000**	**36,615,524**	–	31,573,223
Plastic City Corporation	**0.32%**	–	**82,465,864**	–	82,205,089
Pacific Rehouse Corporation	**–**	–	**15,540,753**	–	15,540,753
International Polymer Corporation	**(0.19%)**	–	**24,059,665**	–	24,105,463
Ropeman International Corp.	**–**	–	**3,202,528**	–	3,202,528
Polymaster Industrial Corp.		–	**62,500**	–	–
Concept Moulding Corp.	**16.31%**	**5,784,259**	**–**	4,973,259	–
Key management and officers	**(6.43%)**	–	**147,950,629**	–	158,118,794
		162,685,516	**440,905,301**	162,938,700	445,816,188
Allowance for doubtful accounts	**(0.89%)**	**(132,103,302)**		(133,293,373)	
		₱30,582,214	**₱440,905,301**	₱29,645,327	₱445,816,188

Advances to Metro Alliance Holdings and Equities Corp (MAHEC) represent receivable for the value of the land foreclosed to settle the affiliate's loan with Philippine Veterans Bank.

The assignment of intercompany receivables/payables and advances to/from affiliates was in line with the plan of integrating the Group intercompany account balances to facilitate the preparation of intercompany reconciliation, billing and collection and payment processes among the Group.

Ownership Structure and Parent Company
Wellex Industries, Inc. (Parent Company) wholly owns Plastic City Industrial Corporation (PCIC) and subsidiaries. PCIC and subsidiaries have ceased operations but have leased out its warehouse/building facilities.

Resignation of Directors Due to Disagreement
There is no director who resigned or decline to stand for re-election because of disagreement.

Terms of Office
The Directors of Wellex Industries, Inc. 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.

Item 6. Compensation of Directors & Executive Officers
The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years, including the estimated compensation for year 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 External and Independent Directors that will attend a regular meeting.

In 2021, Mr. Sergio R. Ortiz-Luis, Jr., Mr. Ruben D. Torres, Mr. Aristeo R. Cruz and Mr. Josaias T. Dela Cruz, 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.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Atty. Ruben D. Torres Chairman/Director	2022 (est)	-	-	10,000
	2021	-	-	10,000
	2020	-	-	10,000
Kenneth T. Gatchalian President/CEO/Director	2022 (est)	-	-	-
	2021	-	-	-
	2020	-	-	-
Elvira A. Ting Vice President/Director	2022 (est)	-	-	-
	2021	-	-	-
	2020	-	-	-
Richard L. Ricardo Treasurer/Director	2022 (est)	-	-	-
	2021	-	-	-
	2020	-	-	-
William T. Gatchalian, Omar M. Guinomla, Atty. Lamberto Mercado, Jr. Directors	2022 (est)	-	-	-
	2021	-	-	-
	2020	-	-	-
Renato C. Francisco, Atty. Aristeo R. Cruz, Josaias T. Dela Cruz, Sergio R. Ortis-Luis, Jr.* Independent Directors	2022 (est)	-	-	40,000
	2021	-	-	40,000
	2020	-	-	-

**Coming 2022 Annual Stockholders' Meeting, Sergio R. Ortiz-Luis, Jr. will be nominated as Regular Director.*

The members of the Compensation Committee are the following:

1. Elvira A. Ting - Chairman
2. Atty. Lamberto B. Mercado, Jr. - Member
3. Kenneth T. Gatchalian - Member

Standard Arrangement

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in regular meetings, there are no standard arrangements to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year.

As mentioned, due to tight cash position of the Company, it was agreed that only External and Independent Directors were given a per diem of ₱10,000 during attendance in regular meetings. For the year 2021, here is the list of Directors who received a per diem:

	Name	Position	Per Diem
1.	Sergio R. Ortiz-Luis, Jr.	Independent Director	10,000.00
2.	Ruben D. Torres	Independent Director	10,000.00
3.	Renato C. Francisco	Independent Director	10,000.00
4.	Josaias T. Dela Cruz	Independent Director	10,000.00
5.	Aristeo R. Cruz	Independent Director	10,000.00

Other Arrangements

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.

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

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

Warrants and Options Outstanding

There are no warrants and options outstanding held by Wellex Industries, Inc.'s CEO, executive officers and all officers and directors as a group.

Item 7. Appointment of Independent Public Accountants

a. Diaz Murillo Dalupan and Company (DMDC), upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Atty. Aristeo R. Cruz as Chairman, Sergio Ortiz-Luis, Jr and Atty. Ruben D. Torres as members, was appointed by the stockholders as the principal external auditors for the years 2021, and is again being recommended to the stockholders for re-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, accreditation with the Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season.

b. In compliance with SEC Rule 68 paragraph 3(b)(iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years or earlier. Mr. Jozel Francisco C. Santos was the lead engagement partner in 2014 to 2015, Ms. Rosemary D. De Mesa in 2016 to 2018 and Mr. Richard Noel M. Ponce in 2019-2021. Mr. Richard Noel M. Ponce was recommended again for 2022.

c. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions.

d. The members of the Audit Committee of the Corporation are the following:

   1. Atty. Aristeo R. Cruz – Chairman
   2. Sergio Ortiz-Luis, Jr. – Member
   3. Atty. Ruben D. Torres – Member

<u>External Audit Fees and Services</u>

Fees approved in connection with the audit and audit-related services rendered by Diaz Murillo and Company pursuant to the regulatory and statutory requirements for the years ended December 31, 2021 and 2020 is shown below, for expressing an opinion on the financial statements and assistance in preparing the annual income tax return:

	2021	2020
Audit Fees	**₱1,260,000**	₱1,260,000
Out of Pocket Expenses	**151,200**	151,200
VAT	**169,344**	169,344
TOTAL	**₱1,580,544**	₱1,580,544

No other service such as tax and assurance audit was provided by external auditors to the Company for the calendar year 2021 and 2020.

<u>The Audit Committee Approval Policies and Procedures for the services rendered by the External Auditors</u>

The Corporate Governance Manual of the company provides that the audit committee shall, among others:

1.) Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.

2.) Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.

3.) Ensure the compliance of the Company with acceptable audit and accounting standards and regulations.

<u>Changes in and Disagreement with Accountants on Accounting and Financial Disclosure</u>

There are no changes in and disagreements with accountants on accounting and financial disclosure and no change in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period.

Item 8. Compensation Plans

Not applicable.

<u>C. ISSUANCE AND EXCHANGE OF SECURITIES</u>

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

Wellex Industries, Inc. has no plans yet to increase its authorized capital stock.

Item 10. Modification or Exchange of Securities

Wellex Industries, Inc. 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 31 December 2021, Management's Discussion and Analysis and Market Price of Shares and other date related to the Corporation's financial information are attached hereto. 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 intended to be taken with respect to any transaction 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 Company or its directors, officers or committees, except for the approval of the minutes of the previous annual stockholders meeting of the company which was held last October 26, 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 26, 2021 was attended, in person or by proxy, by the stockholders representing 2,258,786,322 common shares, constituting 69.04% of the total outstanding capital stock of the Company 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:
The 2021 Annual Stockholders' Meeting was conducted via remote communication using Zoom Meeting. Stockholders who notified the Corporation of their intention to participate 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 4 to 21, 2021. The said 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 BDO Unibank, Inc., Company's stock transfer agent. 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			
Ruben D. Torres	100%	0.00%	0.00%
Kenneth T. Gatchalian	100%	0.00%	0.00%
Elvira A. Ting	100%	0.00%	0.00%
William T. Gatchalian	100%	0.00%	0.00%
Lamberto B. Mercado Jr.	100%	0.00%	0.00%
Richard L. Ricardo	100%	0.00%	0.00%
Omar M. Guinomla	100%	0.00%	0.00%
Sergio R. Ortiz-Luis Jr	100%	0.00%	0.00%
Renato C. Francisco	100%	0.00%	0.00%
Josaias T. Dela Cruz	100%	0.00%	0.00%
Aristeo R. Cruz	100%	0.00%	0.00%
Election of External Auditor	100%	0.00%	0.00%
Election of External Counsel	100%	0.00%	0.00%
Other Matters	100%	0.00%	0.00%

The minutes of the previous meeting last October 26, 2021 contains the approval of the following:

1) Minutes of Stockholders meeting held on October 29, 2020;
2) Audited Financial Statements for the year ended December 31, 2020;
3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation;
4) Appointment of External Counsels;
5) Appointment of External Auditors;
6) Any other proposed action.

An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock was sufficient for the approval of the above items.

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

	Name	Position
1.	Atty. Ruben D. Torres	Chairman
2.	Kenneth T. Gatchalian	President/CEO
3.	Elvira A. Ting	Vice President
4.	Richard L. Ricardo	Treasurer
5.	William T. Gatchalian	Director
6.	Atty. Lamberto B. Mercado Jr.	Director
7.	Omar M. Guinomla	Director
8.	Sergio R. Ortiz-Luis, Jr.	Independent Director
9.	Renato C. Francisco	Independent Director
10.	Josaias T. Dela Cruz	Independent Director
11.	Atty. Aristeo R. Cruz	Independent Director
12.	Atty. Mariel L. Francisco	Corporate Secretary
13.	Annabelle T. Abunda	Compliance Officer

The stockholders and 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 also advised to send their questions in advance through *wellexindustries.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 4, 2022, below are the agenda, 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 26, 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 26, 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 Auditors by a majority vote of the stockholders

f. Appointment of External Legal Counsels by a majority vote of the stockholders

g. Other Matters

Acts of the Board of Directors
At the Annual Stockholders Meeting, stockholders will be asked to approve and ratify the acts of the Board of Directors during their term of office duly disclosed to the SEC and PSE. Since the last Stockholders' Meeting on October 26, 2021, the Board of Directors has authorized several transactions which are pursuant to the Company's ordinary course of business.

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

September 15, 2021
Setting the date of the annual stockholders' meeting on October 26, 2021 at 2:00 in the afternoon, virtually or via remote communication. The Board also set September 30, 2021 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

<u>October 26, 2021</u>
Annual stockholders' meeting for 2021 agenda of which includes:

a) Approval of minutes of 2020 stockholders' meeting
b) Election of members of the board of directors for the year 2021-2022
c) Approval of 2020 Audited Financial Statements
d) Appointment of External Auditors
e) Appointment of External Counsels

Approval to designate authorized signatories of the Corporation for all transactions of the Corporation with the Corporation's Stock Transfer Agent, BDO Unibank, Inc. and Securities Registrar, Philippine Depository and Trust Corporation.

<u>December 17, 2021</u>
Approval to accept the offer of asset-swap of properties between Wellex Industries, Inc. and individual persons.

<u>February 18, 2022</u>
Approval of the Board of Directors to accept the resignation of Atty. Mariel Francisco as Corporate Secretary and election of Amando J. Ponsaran, Jr. for the vacant position.

Approval to designate Elvira A. Ting as authorized representative to transact business related to the asset-swap of properties of Wellex Industries, Inc.

<u>March 7, 2022</u>
Approval to designate new authorized signatories of the Corporation for all transactions of the Corporation with the Corporation's Stock Transfer Agent, BDO Unibank, Inc. and Securities Registrar, Philippine Depository and Trust Corporation.

Approval to amend the official and alternate email addresses and mobile numbers of the Corporation in Compliance with SEC Memorandum Circular No. 28 series of 2020.

<u>April 11, 2022</u>
Approval and authorize to issue the audited financial statements and independent auditor's report for the year ended December 31, 2021 on which Diaz Murillo Dalupan and Company, the external auditors of the Corporation, rendered an unqualified audit opinion.

<u>April 27, 2022</u>
Approval to designate company representative to transact with Home Development Mutual Fund.

<u>August 22, 2022</u>
Setting the date of the annual stockholders' meeting on October 4, 2022 at 10:00 in the morning, virtually or via remote communication. The Board also set September 9, 2022 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said 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 Company's Revised Manual on Corporate Governance. But due to minimal operations of the Company, 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 Charters, By-Laws & Other Documents
Except for the following, no other amendment was made by the Corporation:

1. Articles of Incorporation, Article 1V and to its By-Laws, Board of Directors Section 1, 8-13, as per Board Meeting held on December 17, 2004 and Stockholder's Meeting held thereafter, the same was approved by SEC on July 23, 2007 and October 11, 2007 respectively.

2. The Board of Directors in its special meetings held last January 07 and 28, 2008 decided to amend the Primary and Secondary Purposes of the Articles of Incorporation of the Company and the same was approved by the stockholders during the annual stockholders' meeting held on November 20, 2008.

   The Board amended the Primary Purpose of the Corporation, from a holding company to a company engaged in the business of mining and oil exploration considering that the government is currently enticing the business sector to develop the country's natural resources on gas and oil. In doing so, the Secondary Purpose of the Company stipulated in Paragraph 2 under the heading "Mining" shall be taken out and inserted as its Primary Purpose instead. Then, the numbering of the Secondary Purpose shall be adjusted accordingly. This was approved by SEC on April 3, 2009.

3. Amendment of Articles of Incorporation due to change of principal office address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas St., Makati City to 35th Floor, One Corporate Centre, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City was approved by SEC on June 26, 2013.

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 Stockholders meeting held on October 26, 2021;
2) Audited Financial Statements for the year ended December 31, 2021;
3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation;
4) Appointment of External Counsels;
5) Appointment of External Auditors;
6) Any other proposed action.

The method by which votes will be counted:
The holders of the majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in present 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 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. 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 casted in accordance with the instructions given or authority granted under 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 COVID-19 Global Pandemic, the Board of Directors of Wellex Industries, Inc. has decided to conduct the annual stockholders' meeting via remote communication like Zoom or its equivalent.

A stockholder who has the intention to participate in the Annual Stockholders' Meeting via remote communication or to exercise their vote in absentia or through proxy, should notify the Company by sending the required documents, such as proof of identity, ownership and other certification/information at wellexindustries.asm@gmail.com from September 10, 2022 to October 2, 2022 (10:00am).

A Stockholder may opt to cast his/her vote/proxy during the registration or until October 2, 2022. Note that only the ballot/proxy form of a successful registrant will be counted as a valid vote. Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

Once the stockholder submitted the requested documents through email, the Company will forward it to the Company's stock transfer agent, BDO Stock Transfer, for validation.

If confirmed, that all are true and correct, ballot/proxy form submitted will be counted as a valid vote and a successful registrant will receive the instructions on how to access the livestream and its invitation link to the Annual Stockholders Meeting. For unsuccessful registrant, he/she will receive, either an email or a call from the Company for any deficient/pending documents that needs to be submitted.

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.wellexindustries.com/annualstockholdersmeeting.html, on September 14, 2022.

We are not soliciting proxies.

Undertaking

Wellex Industries, Inc., as registrant, will provide the stockholders a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the Office of the Corporate Secretary c/o WELLEX INDUSTRIES, INC., 35th Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave, Ortigas Center, Pasig City, Philippines.

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 August 24, 2022.

Wellex Industries, Inc.

By:

AMANDO J. PONSARAN, JR.
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Renato C. Francisco**, Filipino, of legal age and a resident of No. 8 Sparrow St., New Marikina Subdivision, Marikina City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Wellex Industries, Inc.** since 2021.

2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Philippines Estates Corporation	Independent Director	Present
Acesite (Hotels) Phils.	Independent Director	Present
Waterfront Phils., Inc	Independent Director	Present
Forum Pacific, Inc.	Independent Director	Present

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Wellex Industries, Inc.**, 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 **Wellex Industries, Inc.** 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 **Wellex Industries, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 2 4 2022 day ________, at QUEZON CITY.

RENATO C. FRANCISCO
Affiant

SUBSCRIBED AND SWORN to before me this AUG 2 4 2022 day of ________ at QUEZON CITY, affiant personally appeared before me and exhibited to me his Tin No. 138-641-391 issued at Bureau of Internal Revenue.

Doc. No. 115;
Page No. 24;
Book No. LXIII
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 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 nominee of **Wellex Industries, Inc.** since 2021.

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
Metro Alliance Holdings & Equities Corp	Lead Independent Director	September 2015 – 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 **Wellex Industries, Inc.**, 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 **Wellex Industries, Inc.** 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 **Wellex Industries, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 24 2022 day _________, at ______________.

ARISTEO R. CRUZ
Affiant
QUEZON CITY

SUBSCRIBED AND SWORN to before me this AUG 24 2022 day of _________ at ______________, 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. 116;
Page No. 24;
Book No. LXXII
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 OF INDEPENDENT DIRECTOR

I, **Josaias T. Dela Cruz**, Filipino, of legal age and a resident of 304 Hogan Street, Capitol Hills, Quezon City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director nominee of **Wellex Industries, Inc.** since 2021.

2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Wegen Distributed Energy Philippines Holdings Corp.	Treasurer/Vice President for Investor Relations and Financial Planning	2021-Present
JTDC Spinmeister Laundry Service	Sole Proprietor	2016-Present
Philippine Estates Corp.	Independent Director - Nominee	2021
Forum Pacific, Inc.	Independent Director	2021-Present

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Wellex Industries, Inc.**, 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 **Wellex Industries, Inc.** 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 **Wellex Industries, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 2 4 2022 day__________, at QUEZON CITY.

JOSAIAS T. DELA CRUZ
Affiant

SUBSCRIBED AND SWORN to before me this AUG 2 4 2022 day of __________ at QUEZON CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 123-365-209 issued by Bureau of Internal Revenue.

Doc. No. 117;
Page No. 25;
Book No. LXXVI;
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, AMANDO J. PONSARAN, JR., of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

I am the duly elected Corporate Secretary of WELLEX INDUSTRIES, INC., a corporation duly organized and existing under Philippine laws with principal office at 35th Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City (the "Corporation").

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality, except for Atty. Lamberto B. Mercado, Jr. Attached herewith is a copy of a certification issued by the Philippine National Construction Corporation, allowing/authorizing Atty. Lamberto B. Mercado, Jr. to be director in other corporations.

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 2 4 2022 in the City of Pasig. QUEZON CITY

AMANDO J. PONSARAN, JR.
Corporate Secretary

Subscribed and sworn to before me this AUG 2 4 2022 at QUEZON CITY, affiant exhibiting to me his TIN with No. 171-798-949.

Doc. No. 118;
Page No. 24;
Book No. LXIII
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 11th day of August 2022 in Bicutan, Parañaque City.

MIGUEL E. UMALI
President & CEO

PART 2

MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR SECOND QUARTER OF 2022

BUSINESS AND GENERAL INFORMATION

1.) Brief Description of the General Nature and Scope of the Registrants Business and its Subsidiaries

Wellex Industries, Incorporated (the 'Parent Company) was incorporated in the Philippines on October 19, 1956. The parent company engaged primarily in the business of mining and oil exploration and was known as Republic Resources and Development Corporation (REDECO). The Parent Company extended its corporate life for another 50 years up to October 19, 2056 which was approved by the Securities and Exchange Commission (SEC) on July 20, 2007.

The Parent Company's shares are listed and traded in the Philippines Stock Exchange (PSE). It wholly owned Plastic City Industrial Corporation (PCIC). PCIC has ceased its manufacturing and commercial operations but PCIC subsidiaries have leased out their warehouse and building facilities.

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

Plastic City Industrial Corporation

In November 1999, the Company formalized the entry of Plastic City Industrial Corporation (PCIC) into the Wellex Industries, Inc. family. PCIC was the Philippines' first fully-integrated manufacturer of plastic products used in a number of industries. From its humble beginnings as a plastic scrap palletizing operation in 1969, PCIC became the forefront of the plastics industry until year 2002, a year when the company was greatly affected by economic crisis. It was then the Company was forced to stop its operation.

PCIC's plants are located on a 50-hectare complex north of Metro Manila. Plastic City is an industrial metropolis in itself. It used to serve the demands of different sectors such as plastic packaging, invaluable house ware products, appliance and telecommunications accessories, industrial parts and pipes for waterworks, sewerage and telecommunications, and electrical conduit systems.

The PCIC subsidiaries stopped operations in 2002.

2.) Properties and Other Assets

Investment Properties

These are properties held primarily to earn rentals and for capital appreciation. The carrying amounts of these properties (net of accumulated depreciation and impairment loss) are shown below:

	Land	Land improvements	Building and improvements	Total
Net carrying amounts, 01/01/2021	₱974,016,347	₱–	₱51,955,850	₱1,025,972,197
Additions	–	–	–	–
Disposals	–	–	–	–
Other Movements	–	–	–	–
Depreciation	–	–	(3,065,589)	(3,065,589)
Net carrying amounts, 12/31/2021	**₱974,016,347**	**₱–**	**₱48,890,261**	**₱1,022,906,608**

Rental income earned on the above investment properties amounted to ₱23.86 million, ₱29.88 million and ₱29.53 million for the years ended December 31, 2021, 2020 and 2019, respectively. While direct cost and expenses incurred on the buildings amounted to ₱18.84 million, ₱16.71 million and ₱14.00

million in 2021, 2020 and 2019, respectively, shown under “Direct costs and expenses” in the statements of comprehensive income.

In 2020, the group sold parcels of land with total carrying amount of ₱9,565,900 for a total consideration of ₱56,270,000 which resulted to a total gain of ₱46,704,100.

The carrying amount of the buildings being leased out is ₱19,579,935 and ₱21,641,795 as at December 31, 2021 and 2020, respectively.

No valuation of independent appraiser was conducted for the investment properties. The fair values of the investment properties were determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair values of the investment properties amounted to ₱2,956,430,600 and ₱2,936,117,000 as at December 31, 2021 and 2020.

Land with aggregate amount of ₱6,484,935 as at December 31, 2021 and 2020 was under litigation.

Except from restrictions described above, there are no other restrictions on the realizability of its investment properties and no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fully depreciated investment properties still in use as at December 31, 2021 and 2020 amounted to ₱3,290,824.

The properties of Plastic City Industrial Corporation booked under Land are located in various areas but majority is located in Canumay, Valenzuela. Properties at any one time or another are subject, in the ordinary course of business, to certain liens and/or encumbrance in favor of their respective bank creditors on short term basis for short term bank facilities, whether or not there are outstanding obligations thereto.

The company has no intention of acquiring property for the next twelve (12) months.

Location	Title No.	Area (In Sqm.)
Inland Container Corp.		
Canumay, Valenzuela	T-123319	7,529
Maysan, Valenzuela	T-152765	9,363
	T-122791	733
	T-122792	5,498
	T-122793	5,328
	T-122794	10,778
	T-122789	691
	T-122790	2,800.50
	V-13207	3,400
	V-13208	3,537
	V-19369	3,400
	T-100259	11,850
	T-100258	11,805
Pacific Plastic Corp.		
Valenzuela	T-123321	5,598
	T-95577	30,987
	T-111339	8,600
	T-112620	7,841
	T-122995	195
	T-109519	469
Rexlon Industries Corp.		
Maysan, Valenzuela	T-123520	225
	V-5877	17,782
	V-5878	10,581
	T-144616	16,844
	T-144615	5,893
	T-144617	161

Location	Title No.	Area (In Sqm.)
Kennex Container Corp.		
Canumay, Valenzuela	T-116045	11,806
	V-3845	10,000
	V-4075	13,880
	T-104313	27,181
	V-4074	3,051
	V-3952	4,959
	V-3953	800
	T-118213	2,050
	T-124652	14,332
	V-6111	23,000
	T-143893	3,870
	T-123303	22,900
	T-123322	2,563
	T-128112	194
	T-133034	492
	T-126448	4,000
	T-140376	4,330
	T-139086	5,001
	T-136923	2,000
	T-116810	8,825
	T-117461	1,391
	T-139143	1,732
	T-129796	9,106
	T-144609	2,995
	T-152764	19,748
	T-122810	400
	T-122811	813

	T-120035	240		T-122812	800
	V-5237	3,199		T-144412	6,132
	V-5362	1,000		T-128111	214
	T-145177	4,666		T-98405	240
	V-2227	3,198		T-123439	240
	V-6593	1,601		T-117459	800
	V-6594	3,200			
	V-6595	1,100			
	V-6596	1,099			
	V-7944	11,457			
	V-3592	1,600			

Included also in the Land are the properties of Parent Company located in Rodriguez (formerly Montalban), Rizal, with an aggregate value of ₱52,335,000 as at December 31, 2021 and 2020. The properties are not subject to any liens or encumbrances.

Interest in Joint Operation
The Group’s investment in joint venture represents land contributed to the Joint Operation.

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp. (PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the “Agreement”) as Owners, with Philippine Estates Corporation (PHES), as Developer, for the development of Metrotech Industrial Park. Under the agreement, the owners contributed land with an approximate area of 29.5629 hectares located in Canumay, Valenzuela City, whereby PHES will develop into industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of the shall constitute the owners share, divided proportionately to the areas of property contributed.

The carrying amount of investments in a joint venture is as follows:

	2021	2020
Cost		
Balance at beginning of year	**₱590,214,111**	₱590,214,111
Transfer to investment properties	**(19,656,742)**	(19,656,742)
Addition	**3,333,915**	–
Balance at end of year	**573,891,284**	570,557,369
Accumulated impairment loss		
At beginning of year	**47,641,000**	47,641,000
Reversal of impairment loss	**–**	–
At end of year	**47,641,000**	47,641,000
Net carrying amounts, December 31	**₱526,250,284**	₱522,916,369

As at December 31, 2021 and 2020, outstanding receivable from PHES amounted to ₱10,897,335 which pertains to the Group’s share in the sale of lot net of expenses.

No liabilities, revenues and expenses recognized in relation to the joint venture in 2021 and 2020.

Property, Plant and Equipment
Details of the Group’s property, plant and equipment as at December 31, 2021 are as follows:

	Building and improvements	**Machinery and equipment**	**Transportation equipment and tools**	**Furniture and fixtures**	**Right-of-use asset**	**Total**
Cost						
At beginning of year	**₱800,000**	**₱547,522,657**	**₱9,917,568**	**₱9,037,312**	**₱230,283**	**₱567,507,819**
Other movements	**-**	**-**	**-**	**631,890**	**-**	**631,890**
Balance at end of year	**800,000**	**547,522,657**	**9,917,568**	**9,669,202**	**230,283**	**568,139,709**
Accumulated Depreciation						
At beginning of year	**800,000**	**466,897,779**	**8,250,901**	**8,849,587**	**76,761**	**484,875,028**

Depreciation	**-**	**504,679**	**571,428**	**189,158**	**115,142**	**1,380,407**
Balance at end of year	**800,000**	**467,402,458**	**8,822,330**	**9,038,745**	**191,903**	**486,255,435**
Impairment loss						
Balance at beginning	**-**	**80,120,199**	**-**	**-**	**-**	**80,120,199**
Balance at end of year	**-**	**80,120,199**	**-**	**-**	**-**	**80,120,199**
Net carrying amount	**₱-**	**₱-**	**₱1,095,238**	**₱630,457**	**₱38,380**	**₱1,764,075**

Machinery and equipment includes the following:

Pipe Systems Plant		**Blow Moulding / PET Plant**	
Section	**Machine**	**Section**	**Machine**
PE	55 mm YEI – 1	Blowing	Bekum - 1
	55 mm YEI – 2		Bekum - 2
	55 mm YEI – 3		Bekum - 3
	55 mm YEI – 4		Bekum - 4
	55 mm YEI – 5		Bekum - 5
	80 mm YEI – 1		Tahara - 1
	80 mm YEI – 2		Tahara - 2
	90 mm YEI – 1		Tahara - 3
			Tahara - 4
PVC	CMT 58		Ardor
	CMT 68		Fongkee
	PPI 77		55 - 1
	PPI 90		65 - 1
Injection Moulding Plant			
Section	**Machine**	**Section**	**Machine**
IWASAKI	PM - 1 Nissei	PPC/PCC	PM - 21 Nissei *
	PM - 2 Nissei		PM - 22 Nissei *
	PM - 3 Nissei		PC - 29 Nissei
	PM - 4 Nissei		PC - 30 JSW
	PM - 5 Nissei		PC - 39 KF
	PM - 6 Nissei		PC - 40 Jon Wai
	PM - 7 Nissei		PC - 41 Natco
	PM - 8 Nissei		PC - 42 Jon Wai
	PM - 9 Nissei		PC - 43 Jon Wai
	PM - 10 Nissei		PC - 44 Jon Wai
	PM - 11 Nissei		PC - 45 Jon Wai
	PM - 12 Nissei		PC - 46 Nissei
	PM - 14 Nissei		PC - 41 Natco
	PM - 15 Nissei		PC - 42 Jon Wai
	PM - 16 Nissei		PC - 47 Nissei
	PM - 17 Nissei		PC - 48 Nissei
	PM - 18 Nissei		PC - 49 Nissei
	PM - 19 Nissei		PC - 50 Nissei
	PM - 20 Nissei	PET	75 – 1,2,3
	PC - 51 Nissei		90 – 1
	PC - 52 Nissei		90 – 2
	PC - 53 Nissei		100 – 1
	PC - 54 Nissei		100 – 2
	PC - 55 Nissei		100 – 3
	PC - 56 Nissei		100 – 4
	PC - 57 Nissei		100 – 5
	PC - 58 Nissei		Aoki 250 LL
	40 OZ JSW		Aoki 250 LL
	60 OZ JSW		Aoki 250 LL
	125 OZ Natco	**Thermoforming Plant**	
	140 OZ Natco	Extrusion	E2 – Wellex
	200 A OZ Nissei		E2 – Taiwan
	200 B OZ Nissei		E3 – Taiwan
	260 OZ Natco	Thermoforming	T1 – Dipiemme

	PC - 51 Nissei PC - 52 Nissei PC - 53 Nissei PC - 54 Nissei PC - 55 Nissei PC - 56 Nissei PC - 57 Nissei PC - 58 Nissei 40 OZ JSW		T2 – Dipiemme T3 – Illig T4 – Illig T5 – Illig T6 – Illig T7 – Illig T8 – Illig T9 – Illig V1 – Taiwan
Rimming	R1 – Dipiemme R2 – Illig R3 – Dipiemme	Printing	P1 – Moss P2 – Omso P3 – Osmo

Buildings and Leasehold Improvements

Since the company stopped the operation and focused in leasing the warehouses here are the lists of lessees for the 4th Quarter of 2021:

No.	Name of Lessee	Co.	Area	Contract Period	Quarterly Rental
1	SMYPC - MANILA GLASS PLANT - bldg 22-A	ICC	1,134	01/01/21-12/31/21	318,938
2	SMYPC - MANILA GLASS PLANT - bldg 22-B	ICC	1,134	01/01/21-12/31/21	318,938
3	CRISTINE GUEVARRA - bldg 34A	ICC	2,000	10/01/19-09/30/21	231,000
4	JESSIE LYN TAJALE - bldg 44	ICC	2,800	01/01/20-12/31/21	750,000
5	GRACEFUL LOGISTICS -open space 10	ICC	2,000	05/15/20-06/14/22	300,000
6	STA RITA 168 BUILDERS CORP – open space 9	ICC	2,260	02/01/21-01/31/22	305,100
7	OYTANA TRUCKING AND LOGISTICS INC	KCC	1,000	06/01/20-05/31/22	165,000
8	SAN MIGUEL BREWERY INC - bldg 23	PPC	3,105	05/01/21-04/30/22	794,290
9	SAN MIGUEL BREWERY INC - shipping yard	PPC	1,430	05/01/21-04/30/22	236,250
10	SAN MIGUEL BREWERY, INC - bldg 25 open yard	PPC	1,500	04/01/21-03/31/22	247,815
11	JHSA CORP (formerly Big Thumb Ent - bldg 23 open space	PPC	35	01/01/21-12/31/21	15,000
12	GOCHEMBROS CORP - bldg 26 (formerly Goeng Mktg)	PPC	524	01/01/21-12/31/21	147,375
13	FUDSOURCE CORPORATION - bldg 19	PPC	1,050	01/15/21-01/15/22	295,313
14	HIGANTIS CONTRACTOR CORP - bldg 18	PPC	698	08/01/21-07/31/22	195,238
15	RDB TECSON & ASSOCIATES - bldg 24 open space	PPC	1,476	04/01/21-03/31/22	434,893
16	RDBT CONSTRUCTION CORP - bldg 24	PPC	216	04/01/21-03/31/22	34,714

3.) Risks

The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group's risk management is coordinated with the Group, in close cooperation with the Board of Directors, and focuses on actively securing the short-term cash flows by minimizing the exposure of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Group is exposed to are described below:

a) Credit risk

Credit risk refers to the risk that counterparty will default its contractual obligation resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its financial assets which composed of cash, trade and other receivables, instalment contract receivables and advances to related parties.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, as summarized below:

Credit risk exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount financial assets recognized in the consolidated statements of financial position.

In order to minimize credit risk, the Group has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECLs	Base	Minimum Allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - not credit impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - not credit impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - not credit impaired	25%	25%	2
In default	Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - not credit impaired	50%	25%	3
	Amount is over 2 years to 3 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - not credit impaired	100%	25%	3
	Amount is over 3 years to 5 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - not credit impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is write off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below:

		December 31, 2021			
		Basis of recognizing ECL	**Gross Carrying Amount**	**Loss allowance**	**Net carrying amount**
Cash in bank	**(a)**		**₱9,569,982**	**₱-**	**₱9,569,982**
Receivables	**(b)**	**Lifetime ECL**	**123,808,263**	**(86,474,558)**	**37,333,705**
Advances to related parties	**(b)**	**Lifetime ECL**	**162,685,516**	**(132,103,302)**	**30,582,214**
Total			**₱296,063,761**	**(₱218,577,860)**	**₱77,485,901**

		December 31, 2020			
		Basis of recognizing ECL	Gross Carrying Amount	Loss allowance	Net carrying amount
Cash in bank	(a)		₱16,133,349	₱-	₱16,133,349
Receivables	(b)	Lifetime ECL	132,486,058	(90,825,700)	41,660,358
Advances to related parties	(b)	Lifetime ECL	162,938,700	(133,293,373)	29,645,327
Total			₱311,558,107	(₱224,119,073)	₱87,439,034

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

Cash in bank
The credit risk for cash in bank is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

Trade and other receivables
Credit risk arising from rental income from leasing of buildings is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. The Group has applied simplified approach to measure the loss allowance using management's adopted policy on ECL on trade and other receivables.

Advances to related parties
For advances to related parties, the Group has applied the simplified approach to measure the loss allowance using management's adopted policy on ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

To measure the ECL, trade and other receivables, and advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade and other receivables and advances to related parties are a reasonable approximation of the loss rates for the financial asset.

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on the Group's credit risk grading, as follows for trade and other receivables and advances to related parties.

			Gross Amount		
December 31, 2021	**ECL Rate**	**Receivables**	**Advances to related parties**	**Total**	**Lifetime ECL**
Performing	**0%**	**₱1,079,587**	**₱1,853,854**	**₱2,933,441**	**₱-**
Doubtful					
1-30 days	**0.25%**	**300,674**	**-**	**300,674**	**752**
31-90 days	**1.25%**	**290,518**	**-**	**290,518**	**3,631**
91-180 days	**2.50%**	**642,280**	**1,000,000**	**1,642,280**	**41,057**
181-360 days	**6.25%**	**1,248,861**	**-**	**1,248,861**	**78,054**
In Default					
1-2 years	**12.50%**	**-**	**935,515**	**935,515**	**116,939**
2-3 years	**25%**	**324,906**	**66,844**	**391,750**	**97,938**
3-5 years	**50%**	**67,253,199**	**53,769,303**	**121,022,502**	**60,511,251**
Write off	**100%**	**52,668,238**	**105,060,000**	**157,728,238**	**157,728,238**
		₱123,808,263	**₱162,685,516**	**₱286,493,779**	**₱218,577,860**

			Gross Amount		
December 31, 2020	ECL Rate	Receivables	Advances to related parties	Total	Lifetime ECL
Performing	0%	₱1,473,619	₱38,723	₱1,512,341	₱-
Doubtful					
1-30 days	0.25%	281,957	1,339,795	1,621,752	4,054
31-90 days	1.25%	782,623	-	782,623	9,783
91-180 days	2.50%	10,677	-	10,677	266
181-360 days	6.25%	468,844	-	468,844	29,303

In Default					
1-2 years	12.50%	753,722	53,511	807,233	100,904
2-3 years	25%	-	-	-	-
3-5 years	50%	76,046,378	56,446,671	56,446,671	66,246,525
Write off	100%	52,668,238	105,060,000	157,728,238	157,728,238
		₱132,486,058	₱162,938,700	₱295,424,758	₱224,119,073

The management continues to review trade and other receivables and advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of third parties and related parties that have not paid for a long time and for which the Group believes that a portion of the receivables may not be collected. The allowance is estimated based on the Group's estimate for accounts which it believes may no longer be collected.

(b) Equity Price Risk
Equity Price Risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Group's exposure to equity price risk arises from investments held by the Group and classified in the Group's statements of financial position as financial asset at FVOCI.

Equity instruments designated at FVOCI in unquoted price are held for strategic rather than trading purposes. The Group does not actively trade these investments.

If the price of the financial assets at FVOCI had been 10% higher/lower other comprehensive income for the years ended December 31, 2021 and 2020 would decrease/increase by ₱1,250,000.

(c) Liquidity Risk
The Group's policy is to maintain a balance between continuity of funding through cash advances from related parties.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table below has been drawn up based on undiscounted cash flow of financial liabilities based on earliest date on which the Group can be required to pay.

December 31, 2021	**With indefinite term of maturity**	**With definite term of maturity**		**Total**
		Due within one year	**More than one year**	
Accounts payable and other liabilities*	**₱-**	**₱5,040,743**	**₱-**	**₱5,040,743**
Lease liability	**-**	**41,806**	**-**	**41,806**
Advances from related parties	**440,905,301**	**-**	**-**	**440,905,301**
Advances from lessees	**-**	**6,327,584**	**-**	**6,327,584**
Borrowings	**-**	**375,911**	**413,082**	**788,993**
	₱440,905,301	**₱11,786,044**	**₱413,082**	**₱453,104,427**

excluding government liabilities

December 31, 2020	With indefinite term of maturity	With definite term of maturity		Total
		Due within one year	More than one year	
Accounts payable and other liabilities*	₱-	₱4,653,931	₱-	₱4,653,931
Lease liability	-	118,567	41,806	160,373
Advances from related parties	445,816,188	-	-	445,816,188
Advances from lessees	-	6,300,481	-	6,300,481
Borrowings	-	344,785	759,002	1,103,787
	₱445,816,188	₱11,417,764	₱800,808	₱458,034,760

**excluding government liabilities*

Substantial portion of the Group's financial liabilities consist of advances from related parties. There is no specific term of advances agreed with the related parties. The Group does not expect to pay its liabilities with related parties nor expect related parties to collect within twelve (12) months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

(e) Capital Risk Objective and Management
The Group's objectives when managing capital are to safeguard the Parent Company's ability to continue as a going concern, so that it can continue to provide returns for stockholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as share capital and deficit for the purpose of capital management.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities as shown in the consolidated statements of financial position less cash. Total capital is calculated as Equity as shown in the consolidated statements of financial position plus Net debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Parent Company's activities are funded by owner's funds versus creditors' funds.

In 2021, the Group's strategy, which was unchanged from 2020, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31 were as follows:

	2021	2020
Debt	**₱454,638,725**	₱459,801,725
Cash	**(9,589,982)**	(16,153,349)
Net debt	**445,048,743**	443,648,376
Equity	**1,202,859,132**	1,206,392,223
Total Capital	**1,647,907,875**	1,650,040,599
Gearing ratio	**0.27%**	0.27%

The Parent Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2021 and 2020, the Parent Company is in compliance with this externally imposed capital requirement.

4.) Legal Proceedings

A. *G.R. No. 249337 entitled, "WATERFRONT PHILIPPINES, INC. (WPI), WELLEX INDUSTRIES, INC. (WII), AND THE WELLEX GROUP, INC. (TWGI) vs. SOCIAL SECURITY SYSTEM (SSS)", pending before the Supreme Court*

On September 7, 1999, the BOD approved the execution of a third-party real estate mortgage on the Group's properties located in Quezon City with an actual area of 6,678 square meters to secure the loan of Waterfront Philippines, Incorporated (WPI), an affiliate, with the Social Security System (SSS) amounting to ₱375 million. In 2003, SSS foreclosed the asset mortgaged in the amount of ₱198,639,000.

The Group filed a civil case against SSS on the foreclosed property claiming for sum of money and damages in the amount of ₱500 million. On January 12, 2015, the contract of loan and real estate mortgage were declared null and void by the RTC. Thus, WPI was directed to return the amount of ₱375 million to SSS and for SSS to return the properties and shares used as collateral. SSS filed an appeal to the Court of Appeals.

On August 30, 2019, the Court of Appeals issued its Decision reversing the RTC's Decision dated January 13, 2015 and Order dated May 11, 2015. The CA declared that the October 28, 1999 "'Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" and the extra judicial foreclosure sale of the Green Meadows properties covered by Transfer Certificate of Title Nos. N-153395 and N-153396 are valid. The CA ordered WPI to satisfy the deficiency under the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" in the sum of ₱841,567,136.85 due to SSS as of April 30, 2010. This obligation shall earn the stipulated interest and penalty charges, in accordance with the terms and conditions of the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock", computed from April 30, 2010 until finality of the Decision.

On October 4, 2019, WPI filed a Petition for Review on Certiorari before the Supreme Court (SC). The SC in its decision dated July 6, 2021 granted the petition and the CA's Decision dated August 30, 2019 was reversed and set aside. SSS filed its Motion for Reconsideration dated January 28, 2022 praying the dismissal of WPI's Petition for Certiorari. On February 2, 2022, the Office of the Solicitor General filed a Manifestation stating that it filed/served by electronic means its Motion for Reconsideration due to the physical closure of its offices as a result of the Covid-19 pandemic.

On 04 May 2022, WPI, et al., filed a Comment to Respondent's Motion for Reconsideration with Motion to Admit. As of now, no decision has been rendered by the SC.

B. *Wellex Industries, Inc. (formerly known as Republic Resources and Development Corporation) v. Macquarie Green Properties, Inc., et al., Civil Case No. 3185-19 SM (For: Annulment of Public Auction Sale, Reconveyance, Cancellation and Reinstatement of Title and Damages), Regional Trial Court (RTC), Branch 75, San Mateo, Rizal*

On June 24, 2019, the Group filed a civil case for annulment of public auction reconveyance, cancellation and reinstatement of title and damages with the Regional Trial Court of San Mateo Rizal (RTC). The complaint filed was dismissed by the RTC through the Resolution dated October 30, 2019 for failure of the Group to pay the full jurisdictional amount. The Group filed Motion for Reconsideration arguing that it was ready and willing to pay the full jurisdictional amount had the Office of the Clerk of Court (OCC) made the proper assessment, which was its duty and in which assessment plaintiff merely relied on. The Group also argues that the rule on the payment of docket fees should apply by analogy since the deposit required is also a jurisdictional amount and, accordingly, should be given time to pay the deposit upon reassessment by the OCC. On February 10, 2020, the Motion for Reconsideration was dismissed for lack of merit.

On March 13, 2020, the case was escalated to the Supreme Court by filing a Petition for Review on Certiorari with the grounds that the RTC resolved the case in a way not in accord with the law and with the applicable decisions of the Supreme Court. Instead of dismissing the instant case, the RTC should have directed the Office of the Clerk of Court to assess the deposit, or the petitioner to make the correct deposit, required under Section 267 of R.A. 7160, consistent with the rule on the payment of jurisdictional amounts. On September 2, 2020, the Supreme Court denies the Petition for Review on Certiorari.

On October 27, 2020, the Group asked Supreme Court to consider the Resolution promulgated on September 2, 2020 and to issue another reversing and setting aside the resolution dated October 30, 2019, and the resolution dated February 10, 2020 issued by the RTC, and directing the office of the clerk of Court of the RTC of San Mateo, Rizal to assess the filing fees and the amount of deposit and interest that should be paid by petitioner, and directing the RTC, Branch 75 of San Mateo, Rizal to reinstate the instant case.

On March 11, 2021, the Group received the notice from the Supreme Court dated January 25, 2021, denying the Motion for Reconsideration but before the Group can refile the case with the RTC, the Group received an offer from certain individuals to assume the above subject properties on an as-is-where-is basis on an exchange for their properties near the same location. The estimated values of the swapped properties are approximately the same. In order to avoid additional costs of a lengthy court dispute, the BOD has decided to accept the offer of asset-swap in a special meeting held on December 17, 2021.

On February 23, 2022, the Group and these individuals entered into a Memorandum of Agreement whereby the parties have voluntarily agreed, by and between themselves, to exchange their respective properties, on as-is-where-is basis. Documentation is currently in process.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

A copy of the Audited Financial Statements as of December 31, 2021 and Unaudited Second Quarter of 2022 Financial Statements are herein attached.

PLAN OF OPERATION

Years ago, the company ceased its downstream plastic manufacturing and commercial operations due to high production costs and stiff competition from Chinese imports. The focus of the company's operations was shifted to leasing out its warehouse facilities. The company has, since then, reorganized its operations and its warehouses are currently almost fully occupied by tenants despite the difficulties brought about by the pandemic.

The Company will re-enter the real estate market, repositioning its 21-hectare industrial estate in Valenzuela City into a mixed-use project. The Company will also seek the development of industrial estates/subdivisions in new locations, for which it has already gained sufficient expertise with its existing operations.

Because the government has declared that mining entities will be allowed to renew operations in order to jump-start the economy, the Parent Company has started to re-study the acquisition of mining companies with existing Mineral Product Service Agreement (MPSA) with the Mines and Geosciences Bureau (MBG). This is in the hope that the acquired operations will ride on the business uptick in the industry. Both metal and non-metal operations, including target companies involved in construction aggregates will be evaluated in greater detail. The company will of course, fully comply with stringent requirements of the Department of Environment and Natural Resources (DENR).

Projected Plan for The Next Twelve (12) Months:

The Company did not pursue the Agreement with Avida Land Corporation (ALC) for the development of our 21-hectare property in Valenzuela City. The project will now be undertaken in joint venture with Philippine Estate Corporation (PHES), an affiliate, and will involve the conversion of the industrial estate into a mixed-use hub with complimentary commercial, office and residential zones. The Company are certain that this shift in character will greatly increase the value of the company's property and will encourage the development and growth of a new Central Business District for Valenzuela City.

Business and Operations

Based on current operation, the Company's cash requirements can be generated internally from rental income from the remaining lease contracts. The management believes that resources are sufficient for projected leasing plans for the next twelve months. However, should there be an opportunity for an interesting business acquisition as related above, there might be a need to raise funds via a stock rights offering with the local course. In any case, the Group has substantial amount of trade receivables and receivables from related parties which are realizable upon demand.

Project Research and Development

The group will also explore new business opportunities in the development of industrial estates, and to this end, ocular inspections for suitable raw land for development into industrial estates are being carried out in Cavite, Laguna, Batangas and Bulacan. Discussions have been carried out with local government city planning officials in order to determine which sites are candidates for long-term success, and we are in constant communication with urban planners and construction engineers in order to fully understand the financial feasibility models for the development of these industrial estates.

Manpower and Capital Asset Requirements

Project manpower will be outsourced when needed. Technical and managerial plantilla positions will be filled when future operations commence in either the mining sector or industrial estate development. A capital-infusion and build-up program will address the group's financial standing, the size and timing of which will be directly related to the planned entry into new business endeavors.

The renewed worldwide quarantines brought about by the COVID-19 Omicron variant has caused another slowdown in the business momentum of the country. Despite the limitations of regional travel and the reluctance of foreign investors to enter into new Philippine projects, management is still optimistic the economy recovery is coming soon especially in the early successful rollout of proven vaccines.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2021, 2020, 2019 and 2018.

	As of December 31 (Amounts in Php '000)			
	2021	2020	2019	2018
Income Statement				
Rental Income	**₱23,858**	₱29,883	₱29,530	₱22,860
Direct cost and Expense	**(18,840)**	(16,709)	(14,003)	(13,270)
Operating Expense	**(14,156)**	(19,577)	(19,337)	(17,315)
Loss from Continuing Operations	**(9,138)**	(6,403)	(3,810)	(7,725)
Other income (expenses)	**5,868**	45,719	(35,479)	(12,811)
Income tax expense – current & deferred	**(263)**	(3,473)	(2,670)	(1,818)
Net Income (Loss) for the year	**(3,533)**	(35,843)	(41,959)	(22,354)
Earnings (Loss) Per Share	**0.0011**	(0.0109)	(0.0128)	(0.0068)
Balance Sheet				
Current Assets	**63,388**	72,504	69,586	145,398
Noncurrent Assets	**1,594,109**	1,593,690	1,606,488	1,568,613
Total Assets	**1,657,497**	1,666,194	1,676,074	1,714,011
Current liabilities	**12,518**	12,388	11,392	17,496
Noncurrent liabilities	**442,120**	447,414	494,133	483,999
Stockholder's equity	**1,202,859**	1,206,392	1,170,549	1,212,516
Total Liabilities & Equity	**₱1,657,497**	₱1,666,194	₱1,676,074	₱1,714,011

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

The Top Five (5) Key Performance Indicators

The Company and its subsidiaries determine their performance on the following five (5) key performance indicators.

1. Revenue Growth – the company gauge its performances by determining rental income and the number of tenants for the year. For the year ended December 31, 2021, the Group has an average of ₱1,491,110 rental income per tenant (with 16 areas being leased out) or an increase of ₱68,122 or 4.78% as compared to last year (with 21 areas being leased out).

2. Receivables – the company assesses the collection receivables and management of credit line by determining the past due ratio done thru the aging receivables. The company considers receivables over 60 days as past due. This is derived by dividing past due receivables by the total outstanding receivable.

3. Gross Profit Margin – this is derived by dividing the gross profit over the revenues amount.

4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations.

5. Advances by the Affiliates – this is to determine, how much the obligations of the company of which, are the affiliated companies are the responsible in paying that liabilities.

Indicator	**2021**	2020
Revenue	**4.78%**	1.19%
Receivables (Past Due Ratio)	**98.65%**	98.08%
Gross Profit Rate	**21.03%**	44.08%
Working Capital	**506.36%**	585.27%
Advances Ratio	**6.73%**	6.44%

For the year 2021, all working capital requirements came from the rental income generated by the subsidiaries and advances from affiliates.

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

Total revenues for the year 2021 and 2020 are ₱23.9M and ₱29.9M, respectively. The Group has ceased manufacturing and commercial operations since 2002 and currently disposed to lease out its warehouse facilities. Due to these circumstances, revenue for the year decreased by ₱6.0M or 20.16%. As of December 31, 2021, the Group has thirteen (13) tenants occupying 16 areas.

Earnings (loss) per share comparisons from year 2021 and 2020 as follows: (₱0.0011) and ₱0.0109 respectively.

Cost and Expenses

Total expenses as reflected on the table consist of direct cost, operating expenses and other income (expenses) and finance cost

Direct cost consists primarily of depreciation, security services, repairs and maintenance, property taxes and insurance. Direct cost for 2021 increased by ₱2.1M or 12.75% as compared to last year due to the net effect of lower property taxes paid for the current year by ₱0.7M and higher repairs and maintenance by ₱2.8M and minimal movements in insurance.

Total operating expenses for 2021 decreased by ₱5.4M or 27.69% with net effect of increased in salaries by ₱0.7M, increased in professional fee by ₱0.3M, increased in light and water by ₱0.4M, decreased in taxes by ₱3.3M, decreased in depreciation by ₱0.1M, decreased in miscellaneous by ₱3.4M and minimal movements in commission, SSS Medicare and EC contributions, listing and maintenance fee, publication expense and transportation.

The Group also reported an other income (loss) amounting to ₱6.5M and ₱46.3M in 2021 and 2020, respectively. Movements in other income/(loss) were mainly due to no gain on sale of investment and write-off of other assets recorded in 2021, increased of interest income – banks by ₱17,733, increased of interest income – advances by ₱892,842, net increased in reversal of ECL – receivables and advances to related parties by ₱3.5M and decreased in other charges by ₱2.4M.

CHANGES IN FINANCIAL CONDITION

Current Assets

Cash

The Group's cash in 2021 decreased by ₱6.6 million or 40.63% as compared to last 2020 due to the following activities: (a) net cash provided in operating activities is ₱2.9 million, (b) net cash used in investing activities is ₱2.8 million and (c) net cash used in financing activities ₱6.6 million.

Receivables

This account consists of trade, advances to third parties, rental, reimbursable utilities expenses from tenants of PCIC and others. Rental receivables are collectible monthly based on terms of the contract. Total trade and other receivables amounted to ₱37.3M and ₱41.7M in 2021 and 2020, respectively. In 2021, trade and other receivables decreased by ₱4.3M or 10.39% due to increase in rental and utilities receivable by ₱0.9M. Advances to third parties represent receivable from a previously disposed subsidiary with a corresponding allowance for doubtful accounts. Advances to related parties decreased by ₱9.5M due to collections made. Allowance for ECL was also decreased by ₱4.4M.

Prepaid expenses and other current assets

Recorded balances of this account is ₱16.4M and ₱14.7M as of December 2021 and 2020, respectively. This account increased by ₱1.8M or 12.08% due to recognition of creditable withholding taxes by ₱1.3M and input VAT by ₱0.5M. The carrying amounts of the creditable withholding tax and input taxes are reduced to the extent that they are no longer probable that sufficient income tax due and revenue subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

As of December 31, 2021, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

Noncurrent Assets

Advances to Affiliates

This account consists of advances made by the company to finance the working capital requirements of its subsidiaries.

The recorded balance as of December 31, 2021 and 2020 amounted to ₱30.6 million and ₱29.6 million, respectively. Decreased by ₱0.9 million or 3.16% was due to offsetting arrangements to settle intercompany receivables and payables.

Investment Properties

This account consists of land, land improvements and buildings and improvements held primarily to earn rentals and for capital appreciation and future development. The land and buildings and improvements were situated in Valenzuela, Metro Manila and Rodriguez (formerly Montalban) Rizal. A portion of the Land with an aggregate amount of ₱6,484,935 as at December 31, 2021 and 2020 was under litigation. A decreased in the Investment Properties by ₱3.1 million or 0.30% was mainly due to depreciation.

No valuation of independent appraiser was conducted for the investment properties. The fair values were determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair values of the properties, the highest and best use of the properties is their current use. The fair value of investment properties amounted to ₱2,956,430,600 and ₱2,936,117,000 as at December 31, 2021 and 2020.

Interest in a Joint Operation

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp.(PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the "Agreement") as Owners with Philippine Estates Corporation (PHES), as Developer. Under the agreement, the owners contributed land with an approximate area of 29.56 hectares located in Canumay, Valenzuela City, whereby PHES will develop into industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of shall constitute the owners share, divided proportionately to the areas of property contributed.

The Group's land is carried at cost, less accumulated impairment loss. The fair value of land is determined using the combination of income capitalization approach, cost approach and market approach.

As at December 31, 2021 and 2020, outstanding receivable from PHES amounted to ₱10,897,335, which pertains to the Group's share in the sale of lot, net of expenses.

No liabilities, revenue and expenses recognized in relation to the joint venture in 2021 and 2020.

Property and Equipment

This consists of buildings and improvements, machinery and equipment, transportation equipment and tools and furniture and fixtures of PCIC subsidiaries used for the manufacture of plastic products and food processing. As of December 2021 and 2020, total property and equipment is ₱1.8M and ₱2.5M or a decreased by ₱0.7 million or 29.79% was mainly due to additional furniture and fixtures purchased during 2021 and depreciation.

Depreciation and amortization are computed using the straight –line method over the estimated lives of the assets. The increase was due to reported depreciation expense during 2021. At present, the Group has no contractual commitment to acquire property and equipment as at December 31, 2021 and 2020.

Total depreciation charged to operating expenses amounted to ₱1.4M, ₱1.5M and ₱5.9M in 2021, 2020 and 2019, respectively.

Other Assets
This consists mainly of Refundable Deposits. An amount of ₱0.1M and ₱0.1M was recorded in year 2021 and 2020, respectively.

Current Liabilities
Accounts Payable
This account consists of trade payables to various suppliers of PCIC subsidiaries, deferred rental and government liabilities.

The amount recorded in year 2021 and 2020 are ₱5.8M and ₱5.2M, respectively or an increased by ₱0.6M or 10.74%.

Advances from Lessee
Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages. Outstanding advances from lessees amounted to ₱6,327,584 and ₱6,300,481 as at December 31, 2021 and 2020, respectively.

Advances from Related Parties
This represents non-interest bearing cash advances extended by the affiliates and stockholders to the Company and its subsidiaries for working capital requirements. A decreased of ₱4.9M or 1.10% was due to payments made to related parties in 2021.

Lease Liability
The present value of lease liability – current amounted to ₱41,806 and ₱118,567 in 2021 and 2020, respectively, or with a decrease by 76,761 or 64.74% while the present value of lease liability – noncurrent amounted to ₱0 and ₱41,806 in 2021 and 2020, respectively.

Borrowings
On December 5, 2020, the Group secured a chattel mortgage agreement with a local bank to finance the purchase of delivery tricks. In 2021, the group recorded borrowings – current amounting to ₱0.4M and noncurrent ₱0.4M.

<u>Calendar Year Ended December 31, 2020 vs. Calendar Year Ended December 31, 2019</u>

The Top Five (5) Key Performance Indicators
The Company and its subsidiaries determine their performance on the following five (5) key performance indicators.

1. Revenue Growth – the company gauge its performances by determining rental income and the number of tenants for the year. For the year ended December 31, 2020, the Group has an average of ₱1,422,988 ₱1,406,213 rental income per tenant (with 21 areas being leased) or an increase of ₱16,775 or 1.19% as compared to last year (with 21 areas being leased out).

2. Receivables – the company assesses the collection receivables and management of credit line by determining the past due ratio done thru the aging receivables. The company considers receivables over 60 days as past due. This is derived by dividing past due receivables by the total outstanding receivable.

3. Gross Profit Margin – this is derived by dividing the gross profit over the revenues amount.

4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations.

5. Advances by the Affiliates – this is to determine, how much the obligations of the company of which, are the affiliated companies are the responsible in paying that liabilities.

Indicator	**2020**	2019
Revenue	**1.19%**	23.03%
Receivables (Past Due Ratio)	**98.08%**	91.45%
Gross Profit Rate	**44.08%**	52.58%

Working Capital	**585.27%**	610.84%
Advances Ratio	**6.44%**	6.01%

For the year 2020, all working capital requirements came from the rental income generated by the subsidiaries and advances from affiliates.

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

Total revenues for the year 2020 and 2019 are ₱29.9M and ₱29.5M, respectively. The Group has ceased manufacturing and commercial operations since 2002 and currently disposed to lease out its warehouse facilities. Due to these circumstances, revenue for the year increased by ₱0.4M or 1.36%. As of December 31, 2020, the Group has eleven (11) tenants occupying 21 areas. Rental rates were increased to cover overhead and fixed expenses.

Earnings (loss) per share comparisons from year 2020 and 2019 as follows: ₱0.0109 and (₱0.0128) respectively.

Cost and Expenses

Total expenses as reflected on the table consist of direct cost, operating expenses and finance cost net of other income for each year.

Direct cost consists primarily of depreciation, security services, repairs and maintenance, property taxes and insurance. Direct cost for 2020 increased by ₱2.7M or 19.32% as compared to last year due to the net effect of higher property taxes paid for the current year by ₱2.1M, increased in depreciation expense by ₱0.5M and minimal movements in security services, repairs and insurance.

Total operating expenses for 2020 increased in minimal amount by ₱0.2M or 1.824% with net effect of increased in taxes by ₱2.2M, decreased of salaries by ₱0.1M, increased in professional fee by ₱0.2M, decreased in depreciation by ₱4.4M, decreased in light and water by ₱0.4M, decreased in commission by ₱0.5M, increased listing and maintenance fee by ₱0.2M, increased of publication fee by ₱0.2M, increased in miscellaneous by ₱3.9M and minimal movements in security services, SSS, Medicare and EC contribution, transportation and office supplies expenses.

The Group also reported an other income (loss) amounting to ₱46.3M and (₱34.9M) in 2020 and 2019, respectively. Movements in other income/(loss) were mainly due to gain on sale of investment properties amounting to ₱46.7M, decreased in provision ECL for trade and other receivables by ₱18.8M, increased in reversal ECL for advances to related parties by ₱16.4M, increased in write-off other assets by ₱85,000 and decreased of miscellaneous income by ₱0.3M.

CHANGES IN FINANCIAL CONDITION

Current Assets

Receivables

This account consists of trade receivable from rental and related parties, advances to third parties and reimbursable utilities expenses from tenants of PCIC. Rental receivables are collectible monthly based on terms of the contract. Total trade and other receivables amounted to ₱41.7M and ₱43.7M in 2020 and 2019, respectively. In 2020, trade and other receivables decreased by ₱2.0M or 4.67% due to decreased in rental and utilities receivable by ₱2.5M. Advances to third parties represent receivable from a previously disposed subsidiary with a corresponding allowance for doubtful accounts. Advances to related parties decreased by ₱0.8M due to collections made.

Prepaid expenses and other current assets

Recorded balances of this account is ₱14.7M and 14.1M as of December 2020 and 2019, respectively. This account increased by ₱0.5M or 3.65% due to recognition of creditable withholding taxes and input VAT incurred for the year. The carrying amounts of the creditable withholding tax and input taxes are reduced to the extent that they are no longer probable that sufficient income tax due and revenue subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

As of December 31, 2020, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

Noncurrent Assets

Advances to Affiliates

This account consists of advances made by the company to finance the working capital requirements of its subsidiaries.

The recorded balance as of December 31, 2020 and 2019 amounted to ₱29.6 million and ₱30.4 million, respectively. Decreased by ₱0.8 million or 2.63% was due to offsetting arrangements to settle intercompany receivables and payables.

Investment Properties

This account consists of land and buildings and improvements held primarily to earn rentals and for capital appreciation and future development. The land and buildings and improvements were situated in Valenzuela, Metro Manila and Rodriguez (formerly Montalban) Rizal are carried at revalued amounts as determined by an independent firm of appraisers. A portion of the Land with an aggregate amount of ₱6,484,935 as at December 31, 2020 and 2019 was under litigation. A decreased in the Investment Properties by ₱12.6 million or 1.22% was mainly due to disposal of properties (Note 8).

No valuation of independent appraiser was conducted for the investment properties. The fair values were determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair values of the properties, the highest and best use of the properties is their current use. The fair value of investment properties amounted to ₱2,936,117,000 and ₱1,433,021,485 as at December 31, 2020 and 2019.

Interest in a Joint Operation

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp.(PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the "Agreement") as Owners with Philippine Estates Corporation (PHES), as Developer. Under the agreement, the owners contributed land with an approximate area of 29.56 hectares located in Canumay, Valenzuela City, whereby PHES will develop into industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of shall constitute the owners share, divided proportionately to the areas of property contributed.

The Group's land is carried at cost, less accumulated impairment loss. The fair value of land is determined using the combination of income capitalization approach, cost approach and market approach.

As at December 31, 2020 and 2019, outstanding receivable from PHES amounted to ₱10,897,335, which pertains to the Group's share in the sale of lot, net of expenses.

No liabilities, revenue and expenses recognized in relation to the joint venture in 2020 and 2019.

Property and Equipment

This consists of buildings and improvements, machinery and equipment, transportation equipment and tools and furniture and fixtures of PCIC subsidiaries used for the manufacture of plastic products and food processing. As of December 2020 and 2019, total property and equipment is ₱2.5M and ₱1.9M or an increased by ₱0.6 million or 34.13% was mainly due to additional trucks and furniture and fixtures purchased during 2020.

Depreciation and amortization are computed using the straight –line method over the estimated lives of the assets. The decreased was due to the depreciation provision during the year. At present, the Group has no contractual commitment to acquire property and equipment as at December 31, 2020 and 2019.

Total depreciation charged to operating expenses amounted to ₱1.5M, ₱5.9M and ₱7.5M in 2020, 2019 and 2018, respectively.

Other Assets
This consists mainly of Refundable Deposits. An amount of ₱0.1M and ₱0.2M was recorded in year 2020 and 2019, respectively.

Current Liabilities
Accounts Payable
This account consists of trade payables to various suppliers of PCIC subsidiaries, deferred rental and government liabilities.

The amount recorded in year 2020 and 2019 are ₱5.2M and ₱5.2M, respectively or an increased by ₱0.6M or 34.13%.

Advances from Related Parties
This represents non-interest bearing cash advances extended by the affiliates and stockholders to the Company and its subsidiaries for working capital requirements. A decreased of ₱47M or 9.65% was due to payments made to related parties in 2020.

Advances from Lessee
Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages. Outstanding advances from lessees amounted to ₱6,300,481 and ₱6,192,985 as at December 31, 2020 and 2019, respectively.

Lease Liability
The present value of lease liability – current amounted to ₱118,567 and ₱40,090 in 2020 and 2019, respectively, or with an increase of 78,477 or 195.75% while the present value of lease liability – noncurrent amounted to ₱41,806 and ₱0 in 2020 and 2019, respectively or with an increase of 100%.

Borrowings
On December 5, 2020, the Group secured a chattel mortgage agreement with a local bank to finance the purchase of delivery tricks. In 2020, the group recorded borrowings – current amounting to ₱0.3M and noncurrent ₱0.8M. See Note 12.

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

The Top Five (5) Key Performance Indicators
The Company and its subsidiaries determine their performance on the following five (5) key performance indicators.

1. Revenue Growth – the company gauge its performances by determining rental income and the number of tenants for the year. For the year ended December 31, 2019, the Group has an average of ₱1,406,213 rental income per tenant (with 21 areas being leased) or an increase of ₱263,208 or 23.03% as compared to last year (with 20 areas being leased out).

2. Receivables – the company assesses the collection receivables and management of credit line by determining the past due ratio done thru the aging receivables. The company considers receivables over 60 days as past due. This is derived by dividing past due receivables by the total outstanding receivable.

3. Gross Profit Margin – this is derived by dividing the gross profit over the revenues amount.

4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations.

5. Advances by the Affiliates – this is to determine, how much the obligations of the company of which, are the affiliated companies are the responsible in paying that liabilities.

Indicator	2019	2018
Revenue	**17.62%**	17.62%
Receivables (Past Due Ratio)	**95.41%**	95.41%
Gross Profit Rate	**41.95%**	41.95%

Working Capital	**831.03%**	831.03%
Advances Ratio	**6.01%**	9.65%

For the year 2019, all working capital requirements came from the rental income generated by the subsidiaries and advances from affiliates.

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share
Total revenues for the year 2019 and 2018 are ₱29.5 million and ₱22.9 million, respectively. The Group has ceased manufacturing operations since 2002 and currently disposed to lease out its warehouse facilities. Due to these circumstances, revenue for the year increased by ₱6.7 million or 29.25%. As of December 31, 2019, the Group has twelve (11) tenants occupying 21 areas. Rental rates were increased to cover overhead and fixed expenses.

Earnings (loss) per share comparisons from year 2019 and 2018 as follows: (₱0.0128) and (₱0.0068) respectively.

Cost and Expenses
Total expenses as reflected on the table consist of direct cost, operating expenses and finance cost net of other income for each year.

Direct cost consisted primarily of property taxes, security services, depreciation, repairs and maintenance and insurance. Direct cost for 2019 increased by ₱0.7 million or 5.26% as compared to last year due to the following movement; higher property taxes paid for the current year by ₱1.2 million or 27.91% due to assessment of taxes, increased in security expense by ₱0.5 million or 13.51% due to increase in fees and additional personnel, lower repairs and maintenance expense during the year by ₱1.2 million or 48%, and increased in insurance by ₱0.2 million or 90.91%.

Operating expenses for 2019 increased by ₱2.1 million or 12.14% mainly due to the following: decreased depreciation expense by ₱1.6 million or 21.33% as most of the property are fully depreciated, increased salaries and wages by ₱1 million or 43.48% due to additional employees, increased taxes and licenses by ₱1.2 million or 92.30% due to assessment in taxes, decreased professional fee of ₱0.2 million or 8.33%, increased in communication, light and water by ₱0.6 million or 54.55% due to lesser use of utilities, increased in commission by ₱0.5 million or 62.50% due to higher tenants made of agents, increased in security service by ₱0.07 million or 14% due to more personnel, increased in listing and maintenance fee by ₱0.2 million or 66.67% due to increase in fee of PSE listing and maintenance, increased in SSS, Medicare and EC contributions by ₱0.1 million or 66.67% due to higher number of employees, increased in transportation and travel by ₱0.01 million or 16.67%, increased in office supplies by ₱0.00 million or 65.76% due to additional supplies purchased, decreased in rent expense by ₱0.2 million or 100% as this was reclass of Lease Liability based on the new guideline, PFRS 16 and increased in miscellaneous by ₱0.3 or 50%.

In 2019, Other Expenses incurred increased by ₱22.6 million or 1.84% compared last year due to provision for ECL (PFRS guidelines) by ₱16 million or 93.00%.

CHANGES IN FINANCIAL CONDITION

Current Assets
Receivables
This account consists of trade receivable from rental and related parties, advances to third parties and reimbursable utilities expenses from tenants of PCIC. Rental receivables are collectible monthly based on terms of the contract. This year, receivables account decreased by ₱18.4 million or 29.59% due to additional allowance for ECL. Advances to third parties represent receivable from a previously disposed subsidiary with a corresponding allowance for doubtful accounts.

Prepaid expenses and other current assets
This account increased by ₱0.8 million or 5.73% due to recognition of creditable withholding taxes and input VAT incurred for the year. The carrying amounts of the creditable withholding tax and input taxes are reduced to the extent that they are no longer probable that sufficient income tax due and revenue

subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

As of December 31, 2019, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

Noncurrent Assets

Advances to Affiliates

This account consists of advances made by the company to finance the working capital requirements of its subsidiaries.

The recorded balance as of December 31, 2019 and 2018 amounted to ₱30.4 million and ₱48.4 million, respectively. The Group has also made offsetting arrangements to settle intercompany receivables and payables.

Investment Properties

This account consists of land and buildings and improvements held primarily to earn rentals and for capital appreciation and future development. The land and buildings and improvements were situated in Valenzuela, Metro Manila and Rodriguez (formerly Montalban) Rizal is carried at revalued amounts as determined by an independent firm of appraisers. A portion of the land with an aggregate amount of ₱6,484,935 as at December 31, 2019 and 2018 was under litigation. An increase in the Investment Properties was caused by the rescission of MAO with ALC last November, 2019.

Interest in a Joint Operation

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp.(PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the "Agreement") as Owners with Philippine Estates Corporation (PHES), as Developer. Under the agreement, the owners contributed land with an approximate area of 29.5629 hectares located in Canumay, Valenzuela City, whereby PHES will develop into industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of shall constitute the owners share, divided proportionately to the areas of property contributed.

The Group's land is carried at cost, less accumulated impairment loss. The fair value of land is determined using the combination of income capitalization approach, coast approach and market approach.

As at December 31, 2019 and 2018, outstanding receivable from PHES amounted to ₱10,897,335, respectively, which pertain to the Group's share in the sale of lot net of expenses.

No revenue and expenses recognized in relation to the joint venture in 2019 and 2018.

Property and Equipment

This consists of buildings and improvements, machinery and equipment, transportation equipment and tools and furniture and fixtures of PCIC subsidiaries used for the manufacture of plastic products and food processing.

Depreciation and amortization are computed using the straight –line method over the estimated lives of the assets. The decrease is due to the depreciation provision during the year. At present, the Group has no contractual commitment to acquire property and equipment as at December 31, 2019 and 2018.

Total depreciation charged to operating expenses amounted to ₱5.9 million, ₱7.5 million and ₱13.2 million in 2019, 2018 and 2017, respectively.

Other Assets

This consists mainly of Refundable Deposits. An amount of ₱0.18 million was recorded in year 2019 and 2018.

Current Liabilities
Accounts Payable
This account consists of trade payables to various suppliers of PCIC subsidiaries, deferred rental and government liabilities.

The amount recorded in year 2019 and 2018 are ₱5.2 million and ₱13.8 million, respectively. The decrease of ₱8.6 million or 62.56% was due to decrease in government liabilities.

Advances from Related Parties
This represents non-interest bearing cash advances extended by the affiliates and stockholders to the Company and its subsidiaries for working capital requirements. An increased by ₱10.1 million or 2.09% was recorded in 2019 due to the rescission of MOA with ALC.

Due to the adoption of PFRS 16 in 2019, the Company recorded lease liability as at December 31, 2019 amounting to ₱40,090.

Advances from Lessee
Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages. An increase by ₱2.5 million or 66.69% pertains to advance rental on the new and renewal of lease contracts.

(i) Summary of Material Trends, Events and Uncertainties
Plastic City Industrial Corporation and its Subsidiaries
PCIC and its subsidiaries have ceased operations but have leased out their warehouse facilities. The intention of the Group is to continue its operations by focusing on “injection molding” due to its very encouraging prospect and which was shown to have a high viability rating that will contribute highly towards the Group's maximum operations and financial position. Management is continuously in search of reliable joint venture partners who have means to continue its operations.

Below is the list of legal matters of the Group, which are fully disclosed in Item3, Legal Proceedings:

1. G.R. No. 249337 entitled, "Waterfront Philippines, Inc. (WPI), Wellex Industries, Inc. (WIN), and The Wellex Group, Inc. (TWGI) vs. Social Security System (SSS)", pending before the Supreme Court.
2. Wellex Industries, Inc. (formerly known as Republic Resources and Development Corporation) v. Macquarie Green Properties, Inc., et al., Civil Case No. 3185-19 SM (For: Annulment of Public Auction Sale, Reconveyance, Cancellation and Reinstatement of Title and Damages), Regional Trial Court (RTC), Branch 75, San Mateo, Rizal

(ii) Events that will Trigger Direct of Contingent Financial Obligation
Since the Plastic City Industrial Corporation ceased in manufacturing and commercial operation there are no events that will trigger direct of contingent financial obligation that is material to Wellex Industries Inc. including any default or 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 Wellex Industries Inc. with unconsolidated entities or other persons created during the reporting period. The present activity of the company is focused on reorganizing its operations in preparation for its new businesses.

(iv) Commitment For Capital Expenditures
Since the Plastic City Industrial Corporation ceased manufacturing and commercial operations, there are no commitments on major capital expenditures.

(v) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales / Net Income)
The Group has ceased its manufacturing and commercial operations since 2002 and currently disposed to lease out its warehouse facilities. Rental Income recorded for the year 2021 compared to 2020 increased by 4.78%. As of December 31, 2021, there are thirteen (13) lessees occupying 16 areas such as the warehouses, shipyards, open spaces and extensions inside the Plastic City premise.

Current ratio (current assets over current liabilities) as of December 31, 2021 is 506.36% with current assets of ₱63.4M over ₱12.5M current liabilities. The Group's policy to address liquidity risk is to maintain a balance between continuity of funding through cash advances from the Parent Company and affiliates. Payment of current liabilities such as government taxes, employees' premium contributions, etc. was funded through these cash advances. The Group does not expect to pay its liabilities to related parties within twelve months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

On December 16, 2020, TWGI issued promissory note amounting to ₱46,578,262 for five years maturing December 15, 2025 and bear an interest of 2% per annum. Interest income earned amounted to ₱931,565 and ₱38,723 in 2021 and 2020, respectively (see Note 16).

(vi) Significant Element of Income or Loss That Did Not Arise From Continuing Operation
The Group adopted PFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on deficit as at January 1, 2019, without restatement of comparative figures.

The Company has adopted the PFRS 9 Financial Instruments from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

PFRS 9, Financial Instruments (2014). PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments" Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Company has adopted the PFRS 9 *Financial Instruments* from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

(vii) Material Changes on Line Items in Financial Statements
Material changes on line items in financial statements are presented under the captions 'Changes in Financial Condition" and 'Changes in Results of Operation".

(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations
The financial condition or results of operations is not affected by any seasonal change.

Undertaking

Wellex Industries, Inc., as registrant, will provide the stockholders a copy of SEC Form 17- A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the Office of the Corporate Secretary c/o WELLEX INDUSTRIES, INC. 35th Floor, One Corporate Centre Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City, Philippines. It can also be downloaded in the company website.

Interim Period as of Quarter Ended June 30, 2022

Below are the results of operations of the Parent Company and its subsidiaries as of the Quarter ended June 30, 2022 together with its financial conditions as of the same period.

- Unaudited Income Statement

	Amounts in PhP			
	Apr-Jun, 2022	Apr-Jun, 2021	**Jan-Jun, 2022**	Jan-Jun, 2021
Income Statement				
Rental Income	**₱5,078,105**	₱6,770,051	**₱9,940,125**	₱14,124,208
Direct Costs and Expenses	**2,767,470**	2,065,408	**6,036,215**	3,211,057
Gross Profit	**2,310,635**	4,704,643	**3,903,910**	10,913,151
Operating Expenses	**4,876,960**	6,955,085	**10,010,270**	14,413,911
Loss from Operations	**(2,566,325)**	(2,250,443)	**(6,106,360)**	(3,500,760)
Other Income (Expense)	**67,925**	62,019	**132,985**	(625,353)
Finance Costs	**-**	-	**-**	-
Loss before Tax	**(2,498,400)**	(2,188,423)	**(5,973,375)**	(4,126,113)
Income Tax (Expense) Benefit	**-**	(795,441)	**-**	(795,441)
Net Loss for the period	**(2,498,400)**	(2,983,864)	**(5,973,375)**	(4,921,553)
Loss per share	**(₱0.0008)**	(₱0.0009)	**(₱0.0018)**	(₱0.0015)

- Unaudited Balance Sheet

	Amounts in PhP		
	June 2022	June 2021	December 2021
Balance Sheet			
Current Assets	**₱59,057,929**	₱65,836,005	₱63,388,380
Noncurrent Assets	**1,588,749,433**	1,590,299,780	1,594,109,477
Total Assets	**1,647,807,362**	1,656,135,786	1,657,497,857
		-	
Current Liabilities	**15,542,968**	13,917,846	12,518,447
Noncurrent Liabilities	**435,378,637**	440,747,269	442,120,278
Stockholders' Equity	**1,196,885,758**	1,201,470,671	1,202,859,132
Total Liabilities and Equity	**1,647,807,362**	₱1,656,135,786	₱1,657,497,857

Key Performance Indicators

The Parent Company is in the process of discussing with potential investors for planned forays into new business lines. Its subsidiary, PCIC, ceased its manufacturing operation since 2002 due to the Asian crises and stiff business competition and had leased out its building facilities for revenue. The Group determines their performance on the following five (5) key performance indicators:

1. Revenue Growth – the company gauge its performances by determining Rental Income and the number of tenants for the year. For the second quarter of 2022, the company has an average of ₱362,722 rental income per tenant or a decrease by ₱158,051 rental income per tenant or 30.35% as compared to second quarter of 2021.

2. Receivables - the company assesses collection of receivables and management of credit by determining the past due ratio done thru the aging of receivables. For the second quarter of 2022, ratio of past due receivables to total outstanding was 98.51%. The current quarter exceeds the management gauge on past due receivables due to significant number of receivables from third parties which are no longer operating. These third parties are previous subsidiary of the Group. Collection of receivables was also affected by the negative impact to the finances of the tenants due to COVID 19 pandemic.

3. Gross Profit Margin - this is derived by dividing the gross profit over the revenues amount. The second quarter of 2022 has a gross profit margin of 45.50%, lower by 23.99% than the second quarter of 2021. Decrease pertains to higher direct cost for the current quarter.

4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations. Working capital ratio for second quarter of 2022 was 379.97% as compared to 473.03% on the second quarter of 2021. Decrease is attributable to decrease in current assets by ₱6.8 million or 10.30% and Increase in current liabilities by ₱1.6 million or 11.68%.

5. Advances by the Affiliates - For the second quarter of 2022, the company has total advances from affiliates amounting to ₱434.2 million or a decrease of ₱5.1 million from last quarter's ₱439.3 million balance.

Indicator	**Jun 2021**	Jun 2021
Revenue	**30.35%**	23.52%
Receivables (Past Due Ratio)	**98.51%**	97.13%
Gross Profit Rate	**45.50%**	69.49%
Working Capital	**379.97%**	473.03%
Advances Ratio	**1.16%**	10.00%

Quarter ended June 30, 2022 as compared with quarter ended June 30, 2021

As of the quarter ending June 30, 2022, the company continues to lease out its warehouse facilities. Total revenue recorded for the 2nd quarter of 2022 amounted to ₱5.1 million as compared to the same quarter of 2020 amounting to ₱6.8 million or a decrease of ₱1.7 million or 24.99%. Number of areas being leased out for the 2nd quarter of 2022 is less than last quarter of 2021.

Income/(Loss) per share comparison for the quarter ended June 30, 2021 and 2021 are (₱0.0008) and (₱0.0009), respectively.

As of June 30, 2022, there are fourteen (14) companies leasing inside the PCIC compound occupying seventeen (17) areas. List of companies are as follows:

	TENANTS	CO.	Area in Sqm	Contract Period	2nd Qtr Rental Income (in Php)
1	SMYPC - MANILA GLASS PLANT - bldg 22-A	ICC	1,134	01/01/22-12/31/22	318,938
2	SMYPC - MANILA GLASS PLANT - bldg 22-B	ICC	1,134	01/01/22-12/31/22	318,938
3	CRISTINE GUEVARRA - bldg 34A	ICC	2,000	10/01/21-09/30/22	240,000
4	JESSIE LYN TAJALE - bldg 44	ICC	2,800	01/01/22-12/31/22	750,000
5	GRACEFUL LOGISTICS-open space 10	ICC	2,000	05/15/22-05/14/23	320,000
6	STA RITA 168 BUILDERS CORP.- OPEN SPACE 9	ICC	2,260	02/01/22-01/31/23	305,100
7	OYTANA TRUCKING AND LOGISTICS INC.	KCC	1,000	06/01/21-05/31/22	165,000
8	ABS-CBN CORPORATION	KCC	-	6 days only	234,304
9	SAN MIGUEL BREWERY INC.- bldg 23	PPC	3,105	05/01/22 - 04/30/23	819,228
10	SAN MIGUEL BREWERY INC.- shipping yard	PPC	1,430	05/01/22 - 04/30/23	236,250
11	SAN MIGUEL BREWERY, INC - Bldg 25 open yard	PPC	1,500	04/01/22 - 03/31/23	247,815
12	JHSA CORP. (formerly Big Thumb Ent. - bldg 23 open space	PPC	35	01/01/22 - 12/31/22	15,000
13	GOCHEMBROS CORP.- bldg 26 (formerly Goeng mktg)	PPC	524	01/01/22 - 12/31/22	147,375
14	FUDSOURCE CORPORATION - bldg 19	PPC	1,050	01/15/22 - 01/15/23	295,313
15	HIGANTIS CONTRACTOR CORP. - bldg 18	PPC	697.50	08/01/21 - 07/31/22	195,238
16	RDB TECSON & ASSOCIATES - bldg 24	PPC	1,476	04/01/22 - 03/31/23	434,893
17	RDBT CONSTRUCTION CORP,- bldg 24 open space	PPC	216	04/01/22 - 03/31/23	34,714

Direct cost and operating expenses for the 2nd quarter of 2022 totaled ₱7.6 million as compared to ₱9.0 million for the 2nd quarter of 2021 or a decrease of ₱1.4 million or 15.25%. The amount was recorded and mainly attributable to the following:

1. Direct cost for the second quarter of 2022 and 2021 consists of security services, depreciation expense, property taxes and repairs and maintenance. Total direct cost recorded for the second quarter of 2022 amounted to ₱2.8 million and ₱2.1 million for the second quarter of 2021. The increase is mostly attributable by the decrease in payment of property tax, increase in security services by ₱1.0 million and increase in repairs and maintenance by ₱1.0 million.

2. Operating expenses decrease by ₱2.1 million or 29.88% mainly resulted by the following movements of the accounts: increase in professional fees by ₱0.3 million, decrease in taxes and licenses by ₱1.6 million, increase in light and water by ₱0.1 million and decrease in other expenses by ₱1.0 million.

Other Income (Expense) consist of interest income, miscellaneous income, gain on sale, penalties and surcharges and interest expense. Total Other Income (Expense) for the second quarter of 2022 and 2021 is ₱67,925 and ₱62,019, respectively.

The Group does not recognize a Finance cost for second quarter 2022 and 2021.

CHANGES IN FINANCIAL CONDITION

Cash
The Group's cash decreased by ₱0.1 million or 2.14% for the second quarter of June 30, 2022 as compared to second quarter 2021 due to the following activities: (a) net cash used in operating activities is ₱0.0 million, (b) net cash generated in investing activities is ₱3.4 million and (c) net cash used in financing activities ₱6.9 million.

Prepayments and other current assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. The account increase in the second quarter of June 30, 2022 by ₱1.8 million or 11.42% due to increase in creditable withholding tax by ₱1.5 million, increase in input VAT by ₱0.5 million and decrease in prepaid expenses by ₱0.2 million.

Property and Equipment
There's a decrease in property and equipment amounting to ₱0.8 million or 38.16% on the second quarter of June 30, 2022 as compared to last quarter 2021 due to depreciation.

Deferred Asset and Liabilities
The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying 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 asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized. The Group's deferred asset account in the second quarter of 2022 decrease by ₱37,660 or 78.28% as compared to the second quarter of 2021.

The Group also has deferred liabilities which was decrease by ₱36,461 or 79.17% in the second quarter of 2022 as compared to previous quarter of 2021.

Lease Liability
Lease liability composed of current and non-current portion. The current portion decrease by ₱76,761 or by 64.74% while the non-current portion decreased by ₱41,806 or 100% in the second quarter of 2022.

Accounts Payable and Other Liabilities
Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables and accrued expenses. The account increase by ₱1.9 million or 27.85% main due to the following movements; decrease in accounts payable by ₱0.1 million, increase in government liabilities by ₱0.4 million and increase in deferred rental by ₱1.7 million.

Borrowing
The Group's borrowings consist of current portion and non-current portion. As of second quarter of 2022, the Group recorded a current borrowing portion amounting to ₱192,385 and ₱344,785 as of June 30, 2022 and 2021, respectively or a decrease by 44.20% and non-current borrowing portion amounting to ₱413,082 and ₱619,282 as of June 30, 2022 and 2021, respectively or a decrease by 33.30%.

Income Tax Payable
The Group has an income tax payable in the second quarter of 2022 amounting to ₱0 as compared to the second quarter of 2021 amounting to ₱282,781.

Interim Period as of Quarter Ended June 30, 2021

Below are the results of operations of the Parent Company and its subsidiaries as of the Quarter ended June 30, 2021 together with its financial conditions as of the same period.

- Unaudited Income Statement

	Amounts in PhP			
	Apr-Jun, 2021	Apr-Jun, 2020	**Jan-Jun, 2021**	Jan-Jun, 2020
Income Statement				
Rental Income	**₱6,770,051**	₱5,480,903	**₱14,124,208**	₱13,599,032
Direct Costs and Expenses	**2,065,408**	3,088,582	**3,211,057**	6,345,850
Gross Profit	**4,704,643**	2,392,321	**10,913,151**	7,253,182
Operating Expenses	**6,955,085**	4,295,459	**14,413,911**	7,935,723
Loss from Operations	**(2,250,443)**	(1,903,137)	**(3,500,760)**	(682,541)
Other Income (Expense)	**62,019**	27,992	**(625,353)**	110,333
Finance Costs	**-**	-	**-**	-
Loss before Tax	**(2,188,423)**	(1,875,146)	**(4,126,113)**	(572,207)
Income Tax (Expense) Benefit	**(795,441)**	(1,577,885)	**(795,441)**	(1,577,885)
Net Loss for the period	**(2,983,864)**	(3,453,031)	**(4,921,553)**	(2,150,093)
Loss per share	**(₱0.0009)**	(₱0.0011)	**(₱0.0015)**	(₱0.0007)

- Unaudited Balance Sheet

	June 2021	June 2020	**December 2020**
Balance Sheet			
Current Assets	**₱65,836,005**	₱66,737,892	₱72,503,507
Noncurrent Assets	**1,590,299,780**	1,602,334,359	1,593,690,441
Total Assets	**1,656,135,785**	1,669,072,251	1,666,193,948
Current Liabilities	**13,917,846**	13,431,325	12,388,072
Noncurrent Liabilities	**440,747,269**	487,241,605	447,413,653
Stockholders' Equity	**1,201,470,671**	1,168,399,322	1,206,392,223
Total Liabilities and Equity	**₱1,656,135,786**	₱1,669,072,251	₱1,666,193,948

Key Performance Indicators

The Parent Company is still in the process of discussing with potential investors for planned forays into new business lines. Its subsidiary, PCIC, has ceased its manufacturing and commercial operation since 2002 due to Asian crises and stiff business competition and had leased out its building facilities for revenue. The Group determines their performance on the following five (5) key performance indicators:

1. Revenue Growth – the company gauge its performances by determining Rental Income and the number of tenants for the year. For the second quarter of 2021, the company has an average of ₱338,503 rental income per tenant or an increase by ₱64,457 rental income per tenant or 23.52% as compared to second quarter of 2020.

2. Receivables - the company assesses collection of receivables and management of credit by determining the past due ratio done thru the aging of receivables. For the second quarter of 2021, ratio of past due receivables to total outstanding was 97.13%. The current quarter exceeds the management gauge on past due receivables due to significant number of receivables from third parties which are no longer operating. These third parties are previous subsidiary of the Group. Collection of receivables was also affected by the negative impact to the finances of the tenants due to COVID 19 pandemic.

3. Gross Profit Margin - this is derived by dividing the gross profit over the revenues amount. The second quarter of 2021 has a gross profit margin of 69.49%, higher by 25.84% than the 2nd quarter of 2020. Increase pertains to lower direct cost for the current quarter.

4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations. Working capital ratio for second quarter of 2021 was 473.03% as compared to 496.88% on the second quarter of 2020. Decrease is attributable to decrease in current assets to ₱0.9 million or 1.35% and decrease in current liabilities by ₱0.5 million or 3.62%.

5. Advances by the Affiliates - For the second quarter of 2021, the company has total advances from affiliates amounting to ₱439.3 million or a decrease of ₱47.2 million from last year's ₱486.5 million balance.

Indicator	Jun 2021	Jun 2020
Revenue	**23.52%**	14.16%
Receivables (Past Due Ratio)	**97.13%**	95.57%
Gross Profit Rate	**69.49%**	43.65%
Working Capital	**473.03%**	496.88%
Advances Ratio	**10.00%**	4.15%

<u>Quarter ended June 30, 2021 as compared with quarter ended June 30, 2020</u>

CHANGES IN RESULTS OF OPERATION

As of the quarter ending June 30, 2021, the company continues to lease out its warehouse facilities. Total revenue recorded for the 2nd quarter of 2021 amounted to ₱6.8 million as compared to the same quarter of 2020 amounting to ₱5.5 million or an increase of ₱1.3 million or 23.64%. Number of areas being leased out for the 2nd quarter of 2021 is the same last quarter of 2020.

Income/(Loss) per share comparison for the quarter ended June 30, 2021 and 2020 are (₱0.0009) and (₱0.0011), respectively.

As of June 30, 2021, there are thirteen (13) companies leasing inside the PCIC compound occupying twenty (20) areas. List of companies are as follows:

	Tenants	Area in sqm	Contract Period	2nd Qtr Rental Income (in Php)
1	SMYPC - MANILA GLASS PLANT - bldg 22-A	1,134	03/31/20-09/30/21	303,750
2	SMYPC - MANILA GLASS PLANT - bldg 22-B	1,134	03/31/20-09/30/21	303,750
3	SMYPC - MANILA PLASTIC PLANT - bldg 30	2,200	03/31/20-05/31/21	392,858
4	SMYPC - MANILA PLASTIC PLANT - bldg 32	3,052	09/01/20-06/30/21	817,503
5	SMYPC - MANILA PLASTIC PLANT - bldg 33	2,900	09/14/20-07/15/21	776,786
6	SMYPC - MANILA PLASTIC PLANT - bldg 42	1,980	08/16/20-04/30/21	88,397
7	CRISTINE GUEVARRA - bldg 34A	2,000	10/01/19-09/30/21	210,000
8	JESSIE LYN TAJALE - bldg 44	2,800	01/01/20-12/31/21	750,000
9	GRACEFUL LOGISTICS - open space 10	2,000	05/15/20-06/14/22	300,000
10	STA RITA 168 BUILDERS CORP - OPEN SPACE 9	2,260	02/01/21-01/31/22	305,100
11	OYTANA TRUCKING AND LOGISTICS INC.	1,000	06/01/20-05/31/22	155,000
12	SAN MIGUEL BREWERY INC - bldg 23	3,105	05/01/20 - 04/30/21	781,669
13	SAN MIGUEL BREWERY INC - shipping yard	1,430	05/01/20 - 04/30/21	232,639
14	SAN MIGUEL BREWERY INC - bldg 25 open yard	1,500	05/01/20 - 04/30/21	247,815
15	JHSA CORP (formerly Big Thumb Ent - bldg 23 open space	35	01/01/20 - 12/31/20	15,000
16	GOCHEMBROS CORP - bldg 26 (formerly Goeng Mktg)	524	01/01/20 - 12/31/20	147,375
17	FUDSOURCE CORPORATION - bldg 19	1,050	01/15/21 - 01/15/22	295,313
18	HIGANTIS CONTRACTOR CORP - bldg 18	698	08/01/20 - 07/31/21	177,489
19	RDBT CONSTRUCTION CORP - bldg 24	1,476	04/01/21 - 03/31/22	434,893
20	RDB TECSON & ASSOCIATES - bldg 24 open space	216	04/01/21 - 03/31/22	34,714

Cost and Expenses

Direct cost and operating expenses for the 2nd quarter of 2021 totaled ₱9.0 million as compared to ₱7.4 million for the 2nd quarter of 2020 or an increase of ₱1.6 million or 21.62%. The amount was recorded and mainly attributable to the following:

1. Direct cost for the 2nd quarter of 2021 and 2020 consists of depreciation expense and repairs and maintenance. Total direct cost recorded for the second quarter of 2021 amounted to ₱2.1 million and ₱3.1 million for the second quarter of 2020. The decrease is mostly attributable by the decrease in payment of property tax and security services by ₱2.3 million and increase in repairs and maintenance by ₱1.3 million.

2. Operating expenses increased by ₱2.7 million or 62.79% resulted by the increase movements on the following accounts: taxes and licenses by ₱0.7 million, salaries and wages by ₱0.5 million, light and water by ₱0.1 million, and other remaining expenses by ₱1.3 million.

3. Other Income (Expenses) consist of interest income, other income, penalties and surcharges and interest expense. Total Other Income for the 2nd quarter 2021 and 2020 is ₱62,019 and ₱27,992, respectively.

The Group does not recognize a Finance cost for 2nd quarter 2021 and 2020.

CHANGES IN FINANCIAL CONDITION

Cash
The Group's cash decreased by ₱3.1 million or 33.31% for the second quarter of June 30, 2021 as compared to second quarter 2020 due to the following activities: (a) net cash used in operating activities is ₱4.3 million, (b) net cash generated in investing activities is ₱1.0 million and (c) net cash used in financing activities ₱6.7 million.

Property and Equipment
There's an increase in property and equipment amounting to ₱1.0 million or 88.75% on the second quarter of June 30, 2021 as compared to last quarter 2020 due to additional trucks and furniture and fixtures purchased.

Deferred Asset and Liabilities
The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying 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 asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized. The Group's deferred asset account in the second quarter of 2021 increased by ₱36,085 or 300.03% as compared to the second quarter of 2020.

The Group also has deferred liabilities which was increased by ₱35,221 or 325.07% in the second quarter of 2021 as compared to previous quarter of 2020.

Other Assets
The account decreased by ₱85,000 or 47% due to its write-off in 2020.

Lease liability
Lease liability composed of current and non-current portion. The current portion increased by ₱78,477 or by 195.75% while the non-current portion increased by ₱41,806 or 100% in the second quarter of 2021.

Borrowing
The Group's borrowings consist of current portion and non-current portion. As of second quarter of 2021, the Group recorded a current borrowing portion amounting to ₱344,785 and non-current borrowing portion amounting to ₱619,282. No borrowings were recorded in second quarter of 2020.

Income Tax Payable
The Group has an income tax payable in the second quarter of 2021 amounting to ₱282,781 or 50.66% less as compared to the second quarter of 2020.

Interim Period as of Quarter Ended June 30, 2020
Below are the results of operations of the Parent Company and its subsidiaries as of the Quarter ended June 30, 2020 together with its financial conditions as of the same period.

- Unaudited Income Statement

	Amounts in PhP			
	Apr-Jun, 2020	Apr-Jun, 2019	**Jan-Jun, 2020**	Jan-Jun, 2019
Income Statement				
Rental Income	**₱5,480,903**	₱6,993,052	**₱13,599,032**	₱14,132,584
Direct Costs and Expenses	**3,088,582**	3,769,775	**6,345,850**	6,124,976
Gross Profit	**2,392,321**	3,223,277	**7,253,182**	8,007,609

Operating Expenses	**4,295,459**	7,525,189	**7,935,723**	12,547,598
Loss from Operations	**(1,903,137)**	(4,301,912)	**(682,541)**	(4,539,990)
Other Income	**27,992**	82,999	**110,333**	(285,409)
Finance Costs	**-**	-	**-**	-
Loss before Tax	**(1,875,146)**	(4,218,914)	**(572,207)**	(4,825,399)
Income Tax Expense	**1,577,885**	-	**1,577,885**	-
Net Loss for the period	**(3,453,031)**	(4,218,914)	**(2,150,093)**	(4,825,399)
Loss per share	**(₱0.0011)**	(₱0.0013)	**(₱0.0007)**	(₱0.0015)

- Unaudited Balance Sheet

	June 2020	June 2019	December 2018
Balance Sheet			
Current Assets	**₱66,737,892**	₱132,310,293	₱69,586,713
Noncurrent Assets	**1,602,334,359**	1,561,786,401	1,606,488,015
Total Assets	**1,669,072,251**	1,694,096,694	1,676,074,728
Current Liabilities	**13,431,325**	18,661,653	11,391,941
Noncurrent Liabilities	**487,241,605**	467,744,273	494,133,373
Stockholders' Equity	**1,168,399,322**	1,207,690,769	1,170,549,414
Total Liabilities and Equity	**₱1,669,072,251**	₱1,694,096,694	₱1,676,074,728

Key Performance Indicators
The Parent Company is still in the process of discussing with potential investors for planned forays into new business lines. Its subsidiary, PCIC, has ceased its manufacturing and commercial operation since 2002 due to Asian crises and stiff business competition and had leased out its building facilities for revenue. The Group determines their performance on the following five (5) key performance indicators:

1. Revenue Growth – the company gauge its performances by determining Rental Income and the number of tenants for the year. For the 2nd quarter of 2020, the company has an average of ₱260,995 rental income per tenant or a decrease of ₱43,050.37 rental income per tenant or 14.16% as compared to 2nd quarter of 2019. Collection of receivables was affected due to negative impact to the finances of the tenants of the COVID 19 pandemic.

2. Receivables - the company assesses collection of receivables and management of credit by determining the past due ratio done thru the aging of receivables. For the second quarter of 2020, ratio of past due receivables to total outstanding was 95.57%. Since most of the contracts are short term (three to six months), past due ratio of receivables is maintained at least below 10% by the management. The current quarter exceeds the management gauge on past due receivables due to significant number of receivables from third parties which are no longer operating. These third parties are previous subsidiary of the Group.

3. Gross Profit Margin - this is derived by dividing the gross profit over the revenues amount. Second quarter of 2020 has a gross profit margin of 43.65%, lower by 25.78% for the second quarter of 2019. Increase pertains to higher rental income recorded for the current quarter.

4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations. Working capital ratio for second quarter of 2020 was 496.88% as compared to 709% on the second quarter of 2019. Decrease is attributable to decrease in current assets by ₱65.6 million or 49.56% and decrease in current liabilities by ₱5.2 million or 28.03%.

5. Advances by the Affiliates - For the second quarter of 2020, the company has total advances from affiliates amounting to ₱486.5 million or an increase of ₱19.4 million from last year's ₱467.1 million balance.

Quarter ended June 30, 2020 as compared with quarter ended June 30, 2019

CHANGES IN RESULTS OF OPERATION

As of the quarter ending June 30, 2020, the company has ceased manufacturing and commercial operations and is disposed to lease out its warehouse facilities. Total revenue recorded for the second quarter of 2020 amounted to ₱5.5 million as compared to the same quarter of 2019 amounting to ₱7 million or a decrease of ₱1.5 million or 21.43%. Number of areas being leased out for the second quarter of 2020 is higher than the same quarter of 2019 and rental rates are adjusted higher to cover fixed and overhead expenses.

Income/(Loss) per share comparison for the quarter ended June 30, 2020 and 2019 are (₱0.0011) and (₱0.0013), respectively.

As of June 30, 2020, there are twelve (11) companies leasing inside the PCIC compound occupying twenty-one (21) areas.

	Tenants	Area in sqm	Contract Period	Quarterly Rental Income (in PhP)
1	SMYPC - MANILA GLASS PLANT - bldg 22-A	1,134	03/31/20-09/30/20	172,125
2	SMYPC - MANILA GLASS PLANT - bldg 22-B	1,134	03/31/20-09/30/20	172,125
3	SMYPC - MANILA PLASTIC PLANT - bldg 30	2,200	03/31/20-09/30/20	333,929
4	SMYPC - MANILA PLASTIC PLANT - bldg 32	3,052	06/05/18-09/05/20	463,251
5	SMYPC - MANILA PLASTIC PLANT - bldg 33	2,900	06/14/18-09/14/20	517,857
6	SMYPC - MANILA PLASTIC PLANT - bldg 37	2,160	08/16/19-08/16/20	385,714
7	SMYPC - MANILA PLASTIC PLANT - bldg 41	2,736	08/16/19-08/16/20	488,571
8	SMYPC - MANILA PLASTIC PLANT - bldg 42	1,980	08/16/19-08/16/20	353,588
9	CRISTINE GUEVARRA - bldg 34A	2,000	10/01/19-09/30/21	140,000
10	JESSIE LYN TAJALE - bldg 44	2,800	01/01/20-12/31/21	500,000
11	GRACEFUL LOGISTICS-open space 10	2,000	05/15/20-05/14/21	200,000
12	TRIPLE SEVEN J.R.T. BUILDERS - B15	1,100	01/01/20-12/31/20	196,429
13	OYTANA TRUCKING AND LOGISTICS INC.	1,000	06/01/20-05/31/21	100,000
14	SAN MIGUEL BREWERY INC.- bldg 23	3,105	04/01/19-04/30/20	504,285
15	SAN MIGUEL BREWERY INC.- shipping yard	1,430	04/01/19-04/30/20	150,278
16	SAN MIGUEL BREWERY, INC - Bldg 24	1,476	03/01/19-03/31/20	239,718
17	SAN MIGUEL BREWERY, INC - Bldg 25 open yard	1,500	03/01/19-03/31/20	157,634
18	JHSA CORP (formerly Big Thumb Ent - bldg 23 open space	35	01/01/20-12/31/20	6,000
19	GOCHEMBROS CORP.- bldg 26 (formerly Goeng mktg)	524	01/01/20-12/31/20	93,571
20	FUDSOURCE CORPORATION - bldg 19	1,050	01/15/20-01/15/21	187,500
21	HIGANTIS CONTRACTOR CORP. - bldg 18	697.50	08/01/19-07/31/20	118,326

Cost and Expenses

Direct cost and operating expenses for the second quarter of 2020 totaled ₱7.4 million as compared to ₱11.3 million for the second quarter of 2019 or a decrease of ₱3.9 million or 34.31%. The amount was recorded and mainly attributable to the following:

1. Direct cost consists of depreciation expense, repairs and maintenance, security services, property taxes and insurance. Total direct cost recorded for the second quarter of 2020 amounted to ₱3.1 million and ₱3.8 million for the second quarter of 2019. Decrease is due to the following net effect: (i) decrease in property taxes paid by ₱0.2 million or 13.33% and (ii) decreased of repairs and maintenance by ₱0.5M or 100% since no repairs were made in 2020.

2. Operating expenses decreased by ₱3.2 million or 42.66% resulted by the decrease movements on the following accounts: depreciation expense by ₱1.5 million or 78.95% due to most of the properties are fully depreciated, professional fees by ₱.2 million or 20.00%, salaries by ₱0.5 million or 55.56% due to decrease in employees, taxes and licenses ₱0.1 or 5%, light & water by ₱0.2 million or 40.00% because of lesser use of utilities, commission & rebates by ₱0.3 million or 96.44%, others by ₱.4 million or 44.44% due to decrease in miscellaneous expense and SSS, Medicate and EC Contributions by ₱0.05 or 71.43% due to decrease in employees.

3. Other Income/Expense decreased by ₱0.06 million or 75.00% due to the effect of COVID 19 pandemic in the 2nd quarter with lower interest income by ₱0.00 million or 33.33%, lower miscellaneous expense which was decrease by ₱0.05 million or 62.50%.

CHANGES IN FINANCIAL CONDITION

Cash
The Group's cash increased by ₱4.1 million or 79.87% as of June 30, 2020 as compared to the same quarter last year due to the following activities: (a) net cash provided in operating activities is ₱2.5 million, (b) net cash generated in investing activities is ₱1.9 million and (c) net cash used in financing activities ₱6.9 million.

Trade and Other Receivables (net)
Trade and Other Receivables (net) decreased by ₱11.1 million as compared to last year, mostly attributable to the increase in advances to third parties amounting to ₱6.0 million and rental receivables of ₱1.8 million and additional impairment by ₱18.9 million

Certain trade receivables were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized (Note 25).

Installment Receivable
Upon return of the title and refund of down payment, the Group recognizes the land and reversal of the outstanding balance of installment contract receivable amounted to ₱57,316,896.

Property and equipment
There's a decrease in property and equipment amounting to ₱2.8 million or a decrease of 70.77% on the 2nd quarter of June 30, 2020 as compared last year due to reported depreciation.

Accounts Payable and other liabilities
Accounts payable pertains to the amount due to suppliers' payable from thirty (30) to ninety (90) days from the date of sale and do not bear any interest. The decrease of the amount is due to the decrease of government liabilities by ₱5.7 million or 44.08%

Advances to related parties
A decrease of ₱18.3 million or 39.14% versus last year was due to the application of PFRS 9 which was implemented last January 1, 2018. This will be briefly discussed in the Interim Consolidated Financial Statements attached on this report. Also, the decrease is due to collections and/or offsetting of related receivables and payables among the Group. The Group, in the normal course of business, has transactions with related parties. Receivables from related parties with common key management are normally collected the following year, unsecured, non-interest bearing and with no guarantee.

Undertaking

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

(i) Summary of Material Trends, Events and Uncertainties
Wellex Industries, Inc.
The Parent Company has properties in Rodriguez (formerly Montalban), Rizal, with an aggregate cost of ₱52,335,000 as at June 30, 2022 and 2021. Land was received in exchange for its shares of stock in accordance with stock-for-assets swap arrangement entered into with various affiliates.

Land with aggregate carrying amount of ₱6,484,935 as at June 30, 2021 and 2020, was under litigation (Note 21).

As at June 30, 2022 and 2021, the Parent Company's properties are not subject to any liens or encumbrances.

The Company is considering re-entry into the real estate market, specifically the development of industrial estates/subdivisions, for which it has already gained sufficient expertise in its operations in Valenzuela City.

The Company has put on hold its plans to acquire a mining company with an existing MPSA with the Mines and Geosciences Bureau (MGB). This is due to the stringent requirements that the Department of Environment and Natural Resources (DENR) had placed on several dormant mining companies and the subsequent business slowdown in the industry as a result thereof.

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

There are no events that will trigger direct of contingent financial obligation that is material to Wellex Industries Inc. and its subsidiaries including any default or 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 Wellex Industries Inc. with unconsolidated entities or other persons created during the reporting period. The present activity of the company is focused on reorganizing its operations in preparation for its new businesses.

(iv) Commitment for Capital Expenditures

Since the Plastic City Industrial Corporation ceased manufacturing and commercial operations, there are no commitments on major capital expenditures.

(v) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales / Net Income and Liquidity)

The Group has ceased manufacturing operations since 2002 and currently disposed to lease out its warehouse facilities. Rental Income recorded for the second quarter 2022 compared to 2021 decrease by 24.99%.

As of June 30, 2022, there are fourteen (14) occupying 17 areas such as the warehouses, shipyards, open spaces and extensions inside the Plastic City premise.

Current ratio (current assets over current liabilities) as of June 30, 2022 is 379.97% with current assets of ₱59.1 million over ₱15.5 million current liabilities. The Group's policy to address liquidity risk is to maintain a balance between continuity of funding through cash advances from the Parent Company and affiliates. Payment of current liabilities such as government taxes, employees' premium contributions, etc. was funded through these cash advances. The Group does not expect to pay its liabilities to related parties within twelve months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

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

The Group adopted PFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on deficit as at January 1, 2019, without restatement of comparative figures.

The Company has adopted the PFRS 9 Financial Instruments from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

(vii) Material Changes on Line Items in Financial Statements

Material changes on line items in financial statements are presented under the "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Please refer to the attached Notes to Financial Statements.

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

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

MARKET INFORMATION

The principal market of Wellex Industries Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed in 1958. List of the high and low sales price by quarter for the last 3 years are as follows:

		High	Low
2022	First Quarter	0.310	0.215
	Second Quarter	0.300	0.260
2021	First Quarter	0.280	0.214
	Second Quarter	0.335	0.235
	Third Quarter	0.315	0.250
	Fourth Quarter	0.280	0.230
2020	First Quarter	0.230	0.156
	Second Quarter	0.209	0.168
	Third Quarter	0.204	0.176
	Fourth Quarter	0.275	0.186
2019	First Quarter	0.305	0.238
	Second Quarter	0.260	0.229
	Third Quarter	0.255	0.224
	Fourth Quarter	0.234	0.200

Following is the price information as of August 23, 2022: high at ₱0.285, low at ₱0.230 and close at ₱0.285.

(2) Holders
The numbers of shareholders of record as of July 31, 2022 were 1,000 and common shares issued and subscribed were 3,271,952,740.

List of Top 20 Stockholders
As of July 31, 2022

STOCKHOLDER'S NAME	NATIONALITY	SUBSCRIBED	%
PCD NOMINEE CORP.	FILIPINO	921,005,225	28.454
WILLIAM T. GATCHALIAN	FILIPINO	835,000,100	25.520
DEE HUA T. GATCHALIAN	FILIPINO	492,962,532	15.066
SHERWIN T. GATCHALIAN	FILIPINO	317,750,100	9.711
SHINJI KOBAYASHI	FILIPINO	210,650,000	6.438
ELVIRA A. TING	FILIPINO	111,850,000	3.418
KENNETH T. GATCHALIAN	FILIPINO	100,000,100	3.056
THE WELLEX GROUP, INC.	FILIPINO	80,000,000	2.445
RECOVERY DEVELOPMENT CORPORATION	FILIPINO	52,335,090	1.600
PACIFIC REHOUSE CORPORATION	FILIPINO	50,000,000	1.528
ORIENT PACIFIC CORPORATION	FILIPINO	36,340,000	1.111
LI CHIH-HUI	FILIPINO	23,500,000	0.718
PCD NOMINEE CORP. (NON-FILIPINO)	OTHERS	12,269,020	0.375
WELLEX GLOBAL EQUITIES, INC.	FILIPINO	4,050,000	0.124
INTERNATIONAL POLYMER CORP.	FILIPINO	2,700,000	0.083
SOLAR SECURITIES, INC.	FILIPINO	2,500,000	0.076
RODOLFO S. ETRELLADO	FILIPINO	750,000	0.023
PROBITY SEC. MGT CORP.	FILIPINO	463,200	0.014
RICHARD L. RICARDO	FILIPINO	460,000	0.014
REGINA CAPITAL DEVELOPMENT CORP.	FILIPINO	300,000	0.009
JUAN MANUEL V. LOPEZ	FILIPINO	200,000	0.006

CASH AND STOCK DIVIDEND DECLARED
No cash or stock dividend has been declared in 2021, 2020 and 2019.

RESTRICTION THAT LIMITS THE PAYMENT OF DIVIDENDS ON COMMON SHARES
None.

RECENT SALES OF UNREGISTERED SECURITIES
Not applicable.

<u>DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS</u>
Directors and Executive Officers

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

Name	Age	Citizenship	Position and Office	Period of Service
Atty. Ruben D. Torres	80	Filipino	Chairman	2021-present
			Independent Director	2018-present
Kenneth T. Gatchalian	46	Filipino	President/CEO/Director	2002-present
Elvira A.Ting	61	Filipino	Vice-President/Director	1999-present
Richard L. Ricardo	59	Filipino	Treasurer/Director	2011-present
William T. Gatchalian	73	Filipino	Director	1999-present
Atty. Lamberto B. Mercado, Jr.	57	Filipino	Director	2005-present
Omar M. Guinomla	50	Filipino	Director	2011-present
Renato C. Francisco	74	Filipino	Independent Director	2021-present
Sergio R. Ortiz-Luis, Jr.	79	Filipino	Director - Nominee	2022
			Independent Director	2016-present
Atty. Aristeo R. Cruz	56	Filipino	Independent Director	2021-present
Josaias T. Dela Cruz	61	Filipino	Independent Director	2021-present
Annabelle T. Abunda	46	Filipino	Compliance Officer	2017-present
Amando J. Ponsaran, Jr.	52	Filipino	Corporate Secretary	Feb 2022-present
Atty Mariel L. Francisco*	40	Filipino	Corporate Secretary	2012-Feb 2022
Atty. Allen F. Geronimo*	35	Filipino	Asst. Corp Secretary	Oct 2021-Mar 2022

**Atty. Mariel L. Francisco resigned as Corporate Secretary and was replaced by Amando J. Ponsaran, Jr. last February 2022. Last March 2022, Atty. Allen F. Geronimo resigned as Assistant Corporate Secretary. No Assistant Corporate Secretary will be nominated for 2022.*

A brief description of the directors' and executive officers' business experience and other directorship held in other reporting companies for the last five (5) years are provided as follows:

Name	Company	Position
Atty. Ruben D. Torres		
Chairman/Director	Forum Pacific, Inc.	Chairman/Director
Filipino	BPO Workers Association of the Phils.	President
80 years old	Services Exporters Risk Management & Consultancy Co	Chairman/CEO
B.A. in Political Science		
Bachelor of Laws	Trade Union Congress of the Phils.	VP-International Affairs
University of the Philippines	Torres Caparas Torres Law Offices	Senior Partner
	Waterfront Phils., Inc.	Independent Director
	Acesite (Phils.) Hotel Corp.	Independent Director
	Waterfront Manila Premier Dev't., Inc.	Chairman/Director
	Alliance Energy Power and Dev't., Inc.	Chairman/Director
	Aristocrat Manila City Holdings, Inc.	Chairman/Director
	Pacific Concorde Corp.	President/Director
	Philippine Estates Corp.	Independent Director
	Taguig Lake City Dev't. Corp.	Chairman/Director
	Wellex Mining Corp.	Corp. Treasurer/Director
	Triton Construction and Dev't. Corp.	Chairman/Director
Kenneth T. Gatchalian		
President/Director	Forum Pacific, Inc.	Corp. Treasurer/ Director
Filipino	The Wellex Group, Inc.	President/Director
46 years old	Waterfront Phils., Inc.	President/Director
B.S. in Architecture	Waterfront Manila Premier Dev,t., Inc.	President/Director
University of Texas, USA	Acesite (Phils.) Hotels Corp.	President/Director
	Philippine Estates Corp.	Vice Chairman/Director
	Metro Alliance Holdings & Equities Corp	President/Director
	Orient Pacific Corp.	President/Director
	Wellex Mining Corp.	Chairman/President/Director
	Westland Pacific Properties Corp.	Corp. Treasurer/Director
	Wellex Petroleum, Inc.	Corp. Secretary/Director
	Recovery Dev't. Corp.	Chairman/President/Director

	Novateknika Land Corp. Pacific Rehouse Corp. Crisanta Realty Dev't. Corp. Palawan Estate Corp. Philippine International Airways Philfoods Asia, Inc. Sourthernpec Phils., Inc. Manila Bay Front Hotels, Inc. Poly Premier Property Dev't. Corp. Wanda Prime Property Dev't., Inc. North Luzon Premier Dev't. Corp. Pacific Concorde Corp Forum Holdings Corp Rexlon Realty Group, Inc. Heritage Pacific Corp. Seabrook Resources & Dev't. Corp. Recovery Real Estate Corp. Shanghai Global Estate Ventures Corp. Altai Philippines Mining Corp. Bulacan Harbour Dev't. Corp. Bulacan Country Garden Dev't. Corp.	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
Elvira A. Ting Vice President/Director Filipino 61 years old BS in Business Administration Major in Management *Philippine School of Business Administration*	Forum Pacific, Inc. Philippine Estates Corp. Waterfront Philippines, Inc. Acesite (Phils.) Hotel Corp. Metro Alliance Holdings & Equities Corp. Orient Pacific Corp. Crisanta Realty Dev't. Corp. Recovery Dev't Corp. The Wellex Group, Inc. Plastic City Industrial Corp. Waterfront Manila Premier Dev't, Inc. Rexlon Realty Group, Inc. Pacific Rehouse Corp. Westland Pacific Properties Corp. Heritage Pacific Corp. Palawan Estate Corp. Poly Premier Property Dev't Corp. Wanda Prime Property Dev't, Inc. Bocaue Prime Estate Corp. Bulacan Fortune Land Dev't Corp. Taguig Lake City Dev't Corp. Country Garden Agri-Tourism Dev't, Inc. Alliance Energy Power & Dev't Corp. North Luzon Premier Dev't Corp. Shangrila Global Estate Ventures Corp. Aristocrat Manila City Holdings, Inc. Seabrook Resources & Dev't, Corp.	President/Director President/Director Corp. Treasurer/Director Corp. Treasurer/Director Chairman/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
Richard L. Ricardo Corp. Treasurer/Investor Relations Officer/Director Filipino 59 years old B.S. in Management Economics *Ateneo de Manila University*	Forum Pacific, Inc. Waterfront Philippines, Inc. Metro Alliance Holdings & Equities Corp. Acesite (Phils.) Hotel Corp. Philippine Estates Corp. The Wellex Group, Inc.	Investor Relations Officer/Director Corporate Affairs Officer/Compliance Officer Corp. Treasurer/Investor Relations Officer Vice President for Corporate Affairs/Compliance Officer Corp. Treasurer/Investor Relations Officer/Director Corp. Secretary/Director

	Rexlon Realty Group, Inc.	Vice President/Director
	Westland Pacific Properties Corp.	Corp. Secretary/Director
	Wellex Petroleum, Inc.	Corp. Treasurer/Director
	Wellex Mining Corp.	Assist. Corp. Sec./Director
	Bocaue Prime Estate Corp.	Corp. Secretary/Director
	Taguig Lake City Dev't. Corp.	Corp. Secretary/Director
	Pacific Wide Holdings, Inc.	Corp. Treasurer/Director
	Dubai Gold Mining Corp.	Chairman/President/Director
	Sand Mining & Dev't. Corp.	Corp. Treasurer/Director
	Manila Bay Front Hotels, Inc.	Corp. Treasurer/Director
	Shanghai Global Estate Ventures Corp.	Corp. Secretary/Director
	Bulacan Country Garden Dev't. Corp.	Corp. Secretary/Director
	Alliance Energy Power & Dev't. Inc.	President/Director
William T. Gatchalian		
Director	The Wellex Group, Inc.	Chairman/Director
Filipino	Wellex Petroleum, Inc.	Chairman/Director
73 years old	Manila Sands Hotel & Casino, Inc.	Chairman/Director
B.S in Management	Bulacan Harbour Dev't. Corp.	Chairman/Director
University of the East	Philippine International Airways	Director
Atty. Lamberto B. Mercado, Jr.		
Director	Forum Pacific, Inc.	Director
Filipino	Metro Alliance Holdings & Equities Corp.	Director/Compliance Officer
57 years old	CPDSI, AHI and FEZ	Director
Bachelor of Laws (L.L.B.)	Acesite (Phils.) Hotels Corp.	Chief Risk Officer/Director
Ateneo de Manila University	Philippine National Construction Corp.	Director
School of Law	Rexlon Realty Group, Inc.	Assist. Cop. Sec./Director
	Wellex Mining Corp.	Corp. Secretary/Director
	Southernpec Phils., Inc.	Corp. Secretary/Director
	Dubai Gold Mining Corp.	Corp. Secretary/Director
	Sands Mining & Dev't. Corp.	Director
	Bulacan Harbour Dev't. Corp.	Corp. Secretary/Director
	Wanda Prime Property Dev't., Inc.	Director
	Seabrook Resources & Devt Corp.	Corp. Secretary/Director
	Country Garden Agri-Tourism Dev't., Inc.	President
	Bulacan Country Garden Dev't. Corp.	Director
Omar M. Guinomla		
Director	Forum Pacific, Inc.	Director
Filipino	Recovery Real Estate Corp.	Director
50 years old	Pacific Rehouse Corp.	Director
A.B. Management	Orient Pacific Corp.	Assist. Corp. Sec./Director
De La Salle University	Recovery Dev't. Corp.	Assist. Corp. Sec./Director
Master's in Business	Philippine International Airways	Corp. Treasurer/Director
Administration	Continental Wire & Cable Corp.	Director
Ateneo de Manila University	Shanghai Resources Corp.	Chairman/President/Director
	Calinan Star Mining, Inc.	Director
	Dubai Gold Mining Corp.	Director
	Sands Mining & Dev't. Corp.	Corp. Secretary/Director
	Manila Bay Front Hotels, Inc.	Corp. Secretary/Director
	Silverquest Mining Resources Inc.	Corp. Treasurer/Director
	Bulacan Fortune Land Dev't. Corp.	Corp. Secretary/Director
	Triton Construction & Dev't. Corp.	Corp. Secretary/Director
Renato C. Francisco		
Independent Director	Forum Pacific, Inc.	Independent Director
Filipino	Waterfront Phil., Inc.	Independent Director
74 years old	Philippine Estates Corp.	Independent Director
Bachelor of Laws	Acesite (Phils.) Hotel Corp.	Independent Director
Ateneo de Manila University		
B.A. in English and Philosophy		
San Beda College		

Sergio R. Ortiz-Luis, Jr. Independent Director Filipino 79 years old B.S. in Liberal Arts B.S. in Business Administration Masters in Business Administration (Candidate) *De La Salle University* PhD Humanities hc *Central Luzon Agricultural College* PhD in Business Technology hc *Eulegio Rodriguez University* PhD Capital Management hc *Academy of Multiskills, UK* PhD Business Administration hc *Angeles University Foundation*	Forum Pacific, Inc. Philippine Estates Corp. Waterfront Phils., Inc. Waterfront Manila Premier Dev't., Inc. Acesite (Phils.) Hotel Corp. BA Securities VC Securities Corp. Country Garden Agri-Tourism Dev't. Inc. Philippine International Airways Philippine Chamber of Commerce and Industry National Center for Mediation Integrated Concepts & Solutions, Inc. Rotary Club of Greenmeadows Foundation Export Dev't. Council Alliance Global, Inc. JARDELI Club Foundation Philippine Exporters Confederation Inc. Employers Confederation of the Phils. Philippines Foundation, Inc. Asia Pacific Chinese Media, Inc. GS1 and International Chamber of Commerce Phils. Philippine Foundation, Inc. (Team Phils.) Manila Exposition Complex, Inc. La Salle Tech Academy Alliance Energy Power and Dev't. Inc. Rural Bank of Baguio H2O (Formerly Calapan Ventures, Inc) LikeCash Asia & Pacific Corp. SPC Power Corp. Drug Abuse Resistance Education Phils. Human Resource Dev't. Foundation Consulate of Romania in the Phils. Consular Corps of the Phils. International Association of Educators for World Peace The Philippine Bamboo Council Patrol 117 (Foundation for Crime Prevention) Industry Development Council National Competitiveness Council Aristocrat Manila City Holdings, Inc. Philippine Jaycee Senate Philippine Coastguard Auxilliary	Independent Director Director Chairman/Director Director Vice-Chairman/Independent Director Independent Director Vice-Chairman/Independent Director Chairman/Director Chairman/Director Chairman/Treasurer Chairman Chairman Chairman Vice Chairman Vice Chairman Vice Chairman President/CEO President President President Founding Director Director Director Director Director Director Director Director Director Director Trustee/Treasurer Consul General Treasurer Honorary Adviser Private Sector Representative Commissioner Member BPLS Champion Director Senate Captain
Josaias T. Dela Cruz Independent Director Filipino 61 years old B.S. in Business Management *Ateneo de Manila University*	Forum Pacific, Inc. Philippine Estates Corp. JTDC Spinmeister Laundry Service Wegen Distributed Energy Philippines Holdings Corp.	Independent Director Independent Director Sole Proprietor Treasurer/Vice President for Investor Relations and Financial Planning

Atty. Aristeo R. Cruz Independent Director Filipino 56 years old CPA Lawyer B.S. in Commerce Major in Accountancy *De La Salle University* Bachelor of Laws (LLB) *New Era University*	Metro Alliance Holdings & Equities Corp. Forum Pacific, Inc. Acesite (Phils.) Hotel Corp. Waterfront Philippines Inc Jose & Luz Locsin Foundation Meycauayan College, Inc. Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office) Liberty Bank (A Rural Bank), Inc. Idealland Realty & Dev't. Corp. Philstar Innovation Realty Corp. Statosphere Realty & Dev't. Corp. Waterstreet Realty Corp. Justina Emilia Realty and Management & Dev't. Corp.	Independent Director Independent Director Director Independent Director President Vice-Chairman/Director, Dean, College Department Founding and Managing Partner Vice-President/Compiler President and Chief Operating Officer (COO) Corp. Secretary/Director President and Chief Operating Officer (COO) President Corp. Secretary
Annabelle T. Abunda Compliance Officer Filipino 46 years old CPA and Licensed Real Estate Broker B.S. in Accountancy *University of the Philippines in the Visayas*	Metro Alliance Holdings & Equities Corp. Pacific Rehouse Corp. Pacific Wide Holdings, Inc. Forum Pacific, Inc.	Finance Officer Finance & Administration Manager Accounting Manager Compliance Officer
Amando J. Ponsaran, Jr. Corporate Secretary Filipino 52 years old BSBA-Finance/Marketing *University of San Agustin – Iloilo* Bachelor of Laws *Arellano Law School/Philippine Christian University*	Philippine Estates Corp. Corporate Counsels, Phils. Law Offices Forum Pacific, Inc	Asst. Corporate Secretary Senior Manager – Corp Services Group Asst. Corporate Secretary – Nominee 2022

CORPORATE GOVERNANCE

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

The board of Directors has approved its Corporate Governance Compliance Evaluation System in order to check and assess the level of compliance of the Company with leading practices on good corporate governance as specified in its Corporate Governance Manual and pertinent SEC Circulars. The System likewise highlights areas for compliance improvement and action to be taken. One of the system's output is the Annual Corporate Governance Compliance Evaluation Form submitted by the Corporation every year to the SEC and PSE.

There were minor deviations from the Corporation's Manual during the period January to December 2004 due mainly to recent changes and business development plans. Since it was a minor deviation, the former president, Mr. Weslie T. Gatchalian, was issued a warning and written reprimand by the Exchange. The Company as represented by its Board of Directors was issued a written reprimand last June 11, 2010 also for not submitting its Revised Manual on Corporate Governance within the prescribed period of submission. The Company submitted its show-cause letter dated June 28, 2010 stating that it initially adopted not to revise its Manual and adopt instead the provisions of its Manual earlier filed with the

Exchange. Subsequently, however, in order to comply with the directive of the Exchange, it was able to file its Revised Manual on Corporate Governance on the same date.

Wellex Industries, Inc. has consistently strived to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

The Company submitted its Integrated Annual Corporate Governance Report (IACGR) on May 30, 2022 covering the year 2020. The independent directors have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

* * *

Re: Wellex Industries Inc_SEC Form 17-A 2021_13May2022

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

To: wellexindustries@yahoo.com

Date: Friday, May 13, 2022, 02:40 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

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

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.

Certification

I, Annabelle T. Abunda, Compliance Officer of Wellex Industries, Inc., with SEC registration number 0000011790 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

1) That on behalf of Wellex Industries, Inc., 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, Wellex Industries, Inc., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this MAY 13 2022 day of __________, 2022.

Affiant
TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this MAY 13 2022 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. 102
Page No. 21
Book No. XXXVII
Series of 2022

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	7	9	0						

C O M P A N Y   N A M E

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

C O M P A N Y   I N F O R M A T I O N

Company's email Address	Company's Telephone Number	Mobile Number
wellexindustries@yahoo.com	8706-7888	09177904371

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
997	October/26	December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Amando J. Ponsaran, Jr.	ajponsaran@ccplaw.com.ph	8687-7536	09285026399

CONTACT PERSON's ADDRESS

Unit 3104, Antel Global Corporate Center, #3 Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City

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

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

Wellex Industries Incorporated and Subsidiaries

Financial Statements
December 31, 2021 and 2020

and

Independent Auditors' Report

WELLEX INDUSTRIES, INC.
LISTED IN THE PHILIPPINE STOCK EXCHANGE

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **WELLEX INDUSTRIES, INCORPORATED 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, of 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.

Diaz Murillo Dalupan and Company, 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.

RUBEN D. TORRES
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 APR 26 2022, affiants personally appeared before me and exhibited to me their Tax Identification Number below:

Name	Tax Identification Number
1. RUBEN D. TORRES	135-071-068
2. KENNETH T. GATCHALIAN	167-406-526
3. RICHARD L. RICARDO	140-853-860

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

DOC NO: 452 ;
PAGE NO: 91 ;
BOOK NO: XXVIII ;
SERIES OF 2022

ATTY. ELISEO S. CALMA, JR.
Notary Public for Q.C./Until Dec. 31, 2022
PTR No. [illegible]/Jan 03, 2022/Q.C.
MCLE COMP. NO. [illegible] until April 14, 2022
TIN No. [illegible]

Independent Auditors' Report

To the Board of Directors and Stockholders of
WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
35th Floor, One Corporate Center
Doña Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City, Philippines

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Wellex Industries Incorporated and Subsidiaries** (the 'Group'), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the 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 consolidated financial statements, including a 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 at December 31, 2021 and 2020, and its consolidated financial performance 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 (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group has been incurring losses in current and prior years and has accumulated a deficit of ₱2,097,669,306 and ₱2,094,136,215 as at December 31, 2021 and 2020, respectively. As stated in Note 1, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Should there be an opportunity for an interesting business acquisition, there might be a need to raise funds via a stock rights offering with the local bourse. The Group also has substantial amount of advances to related parties which are realizable upon demand. We have conducted sufficient audit procedures to verify the validity of the management plan to address the material uncertainty related to going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Adequacy of Allowance for Expected Credit Losses on Receivables and Advances to Related Parties

The Group's assumptions used in calculating the allowance for expected credit losses (ECL) is significant to our audit as it involves the exercise of significant management judgement. Key judgment areas include, historical credit loss experience based on past due status of debtors and current conditions and estimates of future economic conditions. Allowance for ECL on trade and other receivables amounted to ₱86,474,558 and ₱90,825,700 as at December 31, 2021 and 2020, respectively. Allowance for ECL on advances to related parties amounted to ₱132,103,302 and ₱133,293,373 as at December 31, 2021 and 2020, respectively.

The disclosures related to allowance for ECL on receivables and advances to related parties are included in Note 25.

Our Response

Our audit procedures to address the adequacy of allowance for ECL, includes the following:

- Obtained understanding of the approved methodologies used by the Group and assessed whether these are acceptable under the requisites of PFRS 9.
- Checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used.
- Tested the definition of default against historical analysis of accounts and credit risk management policies and practices.
- Tested loss given default by inspecting historical recoveries including the timing, related costs, and write-offs.

Other information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

- 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 group 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 audits.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and
valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Financial Position

	As at December 31	
	2021	2020
ASSETS		
Current Assets		
Cash - note 4	**₱ 9,589,982**	₱ 16,153,349
Trade and other receivables (net) - note 5	**37,333,705**	41,660,358
Prepayments and other current assets - note 6	**16,464,693**	14,689,800
	63,388,380	72,503,507
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) - note 7	**12,500,000**	12,500,000
Advances to related parties (net) - note 20	**30,582,214**	29,645,327
Investment properties (net) - note 8	**1,022,906,608**	1,025,972,197
Interest in joint operation (net) - note 9	**526,250,284**	522,916,369
Property and equipment (net) - note 10	**1,764,075**	2,512,592
Deferred tax assets (net) - note 19	**10,452**	48,112
Other assets	**95,844**	95,844
	1,594,109,477	1,593,690,441
TOTAL ASSETS	**₱ 1,657,497,857**	₱ 1,666,193,948
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 11	**₱ 5,763,830**	₱ 5,204,631
Advances from lessees - note 22	**6,327,584**	6,300,481
Lease liability - note 20	**41,806**	118,567
Borrowings - note 12	**375,911**	344,785
Income tax payable	**9,316**	419,608
	12,518,447	12,388,072
Noncurrent Liabilities		
Advances from related parties - note 20	**440,905,301**	445,816,188
Borrowings (net of current portion) - note 12	**413,082**	759,002
Retirement benefits obligation - note 18	**792,300**	750,600
Lease liability (net of current portion) - note 20	**-**	41,806
Deferred tax liability - note 19	**9,595**	46,057
	442,120,278	447,413,653
	454,638,725	459,801,725
Equity		
Capital stock - note 13	**3,276,045,637**	3,276,045,637
Additional paid-in capital	**24,492,801**	24,492,801
Deficit	**(2,097,669,306)**	(2,094,136,215)
	1,202,869,132	1,206,402,223
Treasury stock - note 13	**(10,000)**	(10,000)
	1,202,859,132	1,206,392,223
TOTAL LIABILITIES AND EQUITY	**₱ 1,657,497,857**	₱ 1,666,193,948

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2021	2020	2019
RENTAL INCOME - notes 8 and 22	**₱ 23,857,767**	₱ 29,882,741	₱ 29,530,463
DIRECT COSTS AND EXPENSES - note 14	**18,840,103**	16,709,332	14,003,316
GROSS INCOME	**5,017,664**	13,173,409	15,527,147
OPERATING EXPENSES - note 15	**14,155,631**	19,577,299	19,336,893
LOSS FROM OPERATIONS	**(9,137,967)**	(6,403,890)	(3,809,746)
OTHER INCOME (LOSS) - note 16	**6,495,677**	46,313,121	(34,887,383)
FINANCE COSTS - note 17	**(627,426)**	(593,916)	(591,593)
INCOME (LOSS) BEFORE INCOME TAX	**(3,269,716)**	39,315,315	(39,288,722)
PROVISION FOR INCOME TAX - note 19			
Current	**(262,177)**	(3,473,369)	(2,671,277)
Deferred	**(1,198)**	863	1,192.00
	(263,375)	(3,472,506)	(2,670,085)
NET INCOME (LOSS) FOR THE YEAR	**(₱ 3,533,091)**	₱ 35,842,809	(₱ 41,958,807)
EARNINGS (LOSS) PER SHARE - note 24	**(₱ 0.0011)**	₱ 0.0109	(₱ 0.0128)

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	Capital Stock (Note 13)	**Additional Paid-in Capital**	**Deficit**	**Treasury Stock** (Note 12)	**Total**
Balance at January 1, 2019	₱ 3,276,045,637	₱ 24,492,801	(₱ 2,088,020,217)	(₱ 10,000)	₱ 1,212,508,221
Net loss for the year	–	–	(41,958,807)	–	(41,958,807)
Balance at December 31, 2019	3,276,045,637	24,492,801	(2,129,979,024)	(10,000)	1,170,549,414
Net income for the year	–	–	35,842,809	–	35,842,809
Balance at December 31, 2020	3,276,045,637	24,492,801	(2,094,136,215)	(10,000)	1,206,392,223
Net loss for the year	–	–	**(3,533,091)**	–	**(3,533,091)**
Balance at December 31, 2021	**₱ 3,276,045,637**	**₱ 24,492,801**	**(₱ 2,097,669,306)**	**(₱ 10,000)**	**₱ 1,202,859,132**

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax	**(₱ 3,269,716)**	₱ 39,315,315	(₱ 39,288,722)
Adjustments for:			
Depreciation - notes 8 and 10	**4,445,996**	4,580,059	8,519,716
Provision for (reversal of) ECL on:			
Trade and other receivables - note 5	**(4,351,142)**	155,424	18,941,043
Advances to related parties - note 20	**(1,190,071)**	(2,168,410)	14,279,716
Provision for retirement benefits - note 18	**41,700**	41,700	41,700
Finance costs - note 17	**627,426**	593,916	591,593
Write-off of other assets - note 16	**–**	85,000	–
Interest income - notes 4 and 20	**(955,514)**	(44,939)	(13,257)
Gain on sale of investment properties - note 8	–	(46,704,100)	–
Operating income (loss) before working capital changes	**(4,651,321)**	(4,146,035)	3,071,789
Decrease (increase) in:			
Trade and other receivables	**8,677,795**	1,883,810	(2,723,997)
Prepayments and other current assets	**(1,774,893)**	(517,385)	(553,112)
Increase (decrease) in:			
Accounts payable and other liabilities	**559,199**	45,765	(2,480,730)
Advances from lessees	**27,103**	107,496	2,477,634
Net cash generated from (used in) operations	**2,837,883**	(2,626,349)	(208,416)
Interest received - note 4	**23,949**	6,216	13,257
Income tax paid	**(672,469)**	(3,053,761)	(2,886,184)
Net cash provided by (used in) operating activities	**2,189,363**	(5,673,894)	(3,081,343)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties	**1,184,749**	2,963,591	1,242,908
Proceeds from sale of investment properties - note 8	–	56,270,000	–
Additions to property and equipment - note 10	**(631,890)**	(1,923,475)	–
Additions to interest in joint operation - note 8	**(3,333,915)**	–	–
Net cash provided by (used in) investing activities	**(2,781,056)**	57,310,116	1,242,908
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of advances from related parties	**(4,910,887)**	(48,151,366)	–
Additional advances from related parties	–	–	1,089,983
Payment of lease liability	**(150,000)**	(150,000)	(150,000)
Payment of borrowings	**(314,794)**	–	–
Finance cost paid	**(595,993)**	–	–
Proceeds from borrowings - note 12	–	1,103,787	–
Net cash provided by (used in) financing activities	**(5,971,674)**	(47,197,579)	939,983
NET INCREASE (DECREASE) IN CASH	**(6,563,367)**	4,438,643	(898,452)
CASH - note 4			
At beginning of year	**16,153,349**	11,714,706	12,613,158
At end of year	**₱ 9,589,982**	₱ 16,153,349	₱ 11,714,706

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021

1. CORPORATE INFORMATION, STATUS OF OPERATIONS AND MANAGEMENT PLANS

Wellex Industries Incorporated (the 'Parent Company') was incorporated in the Philippines on October 19, 1956. The Parent Company engaged primarily in the business of mining and oil exploration and was known as Republic Resources and Development Corporation (REDECO). The Parent Company extended its corporate life for another fifty (50) years up to October 19, 2056 which was approved by the Securities and Exchange Commission (SEC) on July 20, 2007.

The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The Parent Company wholly owns Plastic City Industrial Corporation (PCIC). PCIC has ceased its commercial operations but PCIC subsidiaries have leased out their warehouse and building facilities.

The financial position and results of operations of the Parent Company and its Subsidiaries, (herein referred to as the 'Group') are consolidated in these financial statements.

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

The consolidated financial statements as at and for the year ended December 31, 2021, including its comparatives for 2020 and 2019, were authorized and approved for issue by the Board of Directors (BOD) of the Parent Company on April 11, 2022.

Status of Operations and Management Plans

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group incurred losses in prior years which resulted to a deficit of ₱2,097,669,306 and ₱2,094,136,215 as at December 31, 2021, and 2020, respectively.

In prior years, the Parent Company's business of mining and oil exploration became secondary to real estate and energy development. On January 28, 2008, the BOD approved the amendment of the Parent Company's primary purpose from a holding company to a company engaged in the business of mining and oil exploration.

The purpose of the amendment of the primary purpose was essentially to enable the Group to ride the crest of a resurgent mining industry including oil exploration of the country's offshore oil fields. The Group's strategy is to identify mining properties with proven mineral deposits particularly nickel, chromite, gold and copper covered by Mineral Production Sharing Agreements (MPSA) and to negotiate for either a buy-out or enter into a viable joint venture arrangement. For its oil and mineral exploration activities, the Group has identified and conducted initial discussions with potential investors.

However, the continuing global financial crises dampened the metal and oil prices that adversely affected the investment environment of mining and oil, and mineral exploration industry of the country. To finance its operating expenses, the Group obtains advances from related parties.

The Group has put on hold its plans to acquire a mining company with an existing MPSA with the Mines and Geosciences Bureau (MGB). This is due to the stringent requirements that the Department of Environment and Natural Resources (DENR) had placed on several dormant mining companies and the subsequent business slowdown in the industry as a result thereof.

Redevelopment of the Plastic City Complex in Valenzuela

On December 17, 2012, the Group and other related parties entered into a Memorandum of Agreement (MOA) with Avida Land Corp (ALC) for the development of 21.3 hectares of land located in Valenzuela City into a residential clusters of condominium, townhouses, house and lots. Out of the total 21.3 hectares, 12.8 hectares (representing 60% of the aggregate area) was owned by the Group and its affiliates and around 8.47 hectares were owned by related parties.

By virtue of a Rescission Agreement dated November 29, 2019, the Group elected not to pursue their Agreement with ALC for the development of the real estate. The project will now be undertaken in a joint venture with Philippine Estate Corporation (PHES), an affiliate, and will involve the conversion of the industrial estate into a mixed-use hub with complimentary commercial, office and residential zones. The Parent Company is certain that this shift in character will greatly increase the value of their property and will encourage the development and growth of a new Central Business District for Valenzuela City.

Business and Operations

Based on current operation, the Group’s cash requirements can be generated internally from rental income from remaining lease contracts of its subsidiaries. The management believes that resources are sufficient for projected leasing plans for the next twelve (12) months. However, should there be an opportunity for an interesting business acquisition as related above, there might be a need to raise funds via a stock rights offering with the local bourse. In any case, the Group has substantial amount of advances to related parties which are realizable upon demand.

The Group will explore new business opportunities in the development of industrial estates, and to this end, ocular inspections for suitable raw land for development into industrial estates are being carried out in Cavite, Laguna, Batangas and Bulacan. Discussions have been carried out with local government city planning officials in order to determine which sites are candidates for long-term success, and the Group is in constant communication with urban planners and construction engineers in order to fully understand the financial feasibility models for the development of these industrial estates.

Project manpower will be outsourced when the operations commence and as the need arises. Technical and managerial plantilla positions will be filled when future operations commence in either the mining sector or industrial estate development. A capital-infusion and build-up program will address the Group’s financial standing, the size and timing of which will be directly related to the planned entry into new business endeavors.

The renewed worldwide quarantines brought about by the COVID-19 Omicron variant has caused another slowdown in the business momentum of the country. Despite the limitations of regional travel and the reluctance of foreign investors to enter into new Philippine projects, Management is still optimistic that economic recovery is coming soon especially with the early successful rollout of proven vaccines.

Consequently, the Group's consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. The Group's consolidated financial statements do not include any adjustments relating to the recoverability and classification of the recorded assets or the recognition and classification of liabilities that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. 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 Group's voting rights and potential voting rights.

Consolidation of subsidiaries begins when the Parent Company obtains control over the subsidiaries and ceases when the Parent Company loses control of the subsidiaries. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Parent Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Changes in the ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions.

If the Parent Company losses control over its subsidiaries, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in consolidated statements of comprehensive income.

Composition of the Group

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2021 and 2020. The details of its subsidiaries are as follows:

		Ownership	
Subsidiaries	**Principal Activity**	**2021**	2020
Direct Ownership			
PCIC	Manufacturing	**100%**	100%
Indirect Ownership (Subsidiaries of PCIC)			
ICC	Manufacturing	**100%**	100%
KCC	Manufacturing	**100%**	100%
PPC	Manufacturing	**100%**	100%
Rexlon Industrial Corporation (RIC)	Manufacturing	**100%**	100%

a) Direct ownership

PCIC

PCIC and its subsidiaries have ceased operations but have leased out their warehouse facilities. The intention of the Group is to continue its operation by focusing on “injection molding” due to its very encouraging prospect and which has shown to have a high viability rating that will contribute highly towards the Group’s maximum operation and financial position. Management is continuously in search for reliable joint venture partners who have the means to continue its operations.

b) Indirect ownership

ICC

ICC was incorporated in the Philippines and registered with the SEC on June 23, 1981, primarily to engage in the manufacture of plastic containers. The Company ceased its commercial operations on July 30, 2000, and has leased out its buildings as warehouses.

KCC

KCC was incorporated in the Philippines and registered with the SEC on February 14, 1983. The Company was established to manufacture all kinds of plastic containers. The Company ceased its commercial operations on April 30, 2002, and has leased out its buildings as warehouses.

PPC

PPC was incorporated in the Philippines and registered with the SEC on October 1, 1982. The Company was established primarily to manufacture plastic raw materials, rigid and non-rigid plastic products, plastic compounds, derivatives and other related chemical substances. The Company ceased its commercial operations on May 16, 2002, and has leased out its buildings as warehouses.

RIC

RIC was incorporated in the Philippines and registered with the SEC on October 9, 1984. The Company was engaged in the business of manufacturing and molding plastic products. The Company ceased its commercial operations on April 30, 2002.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2021.

COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16). The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Group adopted the amendments beginning April 1, 2021. As there is no rent concessions granted to the Group as a lessee, these amendments had no impact on the financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16). The amendments provide 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: (a) 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 (b) 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 apply retrospectively. These amendments had no impact on the consolidated financial statements of the Group.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2021

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Reference to the Conceptual Framework (Amendments to PFRS 3). Minor amendments were made to PFRS 3, Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets and Philippine Interpretation IFRIC 21, Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16). The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37). The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRS Standards 2018–2020

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16, *Leases – Lease Incentives* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows subsidiaries that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
- PAS 41, *Agriculture, Taxation in Fair Value Measurements* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The annual improvements are effective for annual periods beginning on or after January 1, 2022.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12). The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The annual improvements are effective for annual periods beginning on or after January 1, 2023.

An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2). The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of ‘four-step materiality process’ to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

Classification of Liabilities as Current or Non-current (Amendments to PAS 1). The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice.

PFRS 17, *Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

PFRS 10, Consolidated Financial Statements and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments). 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 April 1, 2016 of the said amendments until the IASB has completed 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.

The Group has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2021 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

Determination of Fair Value and Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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 as explained above.

Fair value measurement disclosures of financial and non-financial assets are presented in Note 27 to the consolidated financial statements.

"Day 1" Difference

When 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 the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income 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 amount.

Financial Instruments

Initial Recognition, Measurement and Classification

The Group recognizes financial assets and financial liabilities in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Group classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

The Group does not have any financial instruments that are measured and classified at FVPL.

Financial Assets at Amortized Cost

Financial assets are measured at amortized when 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 measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, included under financial assets at amortized cost are the Group's cash, trade and other receivables, and advances to related parties (see Notes 4, 5 and 20).

Cash

The Group's cash includes cash on hand and in banks. Cash in banks earn interest at respective bank deposit rates.

Trade and other receivables

Receivables consist of trade receivable, advances to third parties, rental receivable and utilities receivable.

Advances to related parties

Represent non-interest bearing cash advances to related parties for working capital requirements.

Equity Instruments Designated at FVOCI

Upon initial recognition, the Group may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at December 31, 2021 and 2020, the Group elected to classify irrevocably its unquoted equity investments under this category (see Note 7).

Financial Liabilities at Amortized Cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at December 31, 2021 and 2020, included in financial liabilities at amortized cost are the Group's accounts payable and other liabilities, borrowings, advances from related parties, lease liability and advances from lessees (see Notes 11, 12, 20 and 22).

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables and accrued expenses.

Advances from related parties

Represents cash advances to related parties for working capital requirements.

Advances from lessees

Represent payment of advance rental which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period.

Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period incurred.

Lease liability

Lease liability represents the Group's obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value is effectively treated as a financial liability which is measured at amortized cost, using its incremental borrowing rate as the discount rate. The weighted average rate applied is 19.6%.

Offsetting of Financial Instruments

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 a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of Financial Instruments

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the 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 was discharged, cancelled or has expired.

Where 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 statement of comprehensive income.

Impairment of Financial Assets

The Group recognizes an allowance for ECL for all debt instruments that are measured at amortized cost or at FVOCI. ECL is a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

For trade and other receivables, and advances to related parties, the Group applies a simplified approach in calculating ECL. The Group recognizes a loss using the management's adopted policy on ECL at the end of each reporting period. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Group recognizes impairment loss (reversals) in consolidated statements of comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are one (1) day past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one (1) year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes-off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over five (5) years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in consolidated statements of comprehensive income.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments are initially recognized at cost and subsequently measured at cost less any utilized portion and impairment loss. This account comprises prepaid items which are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred.

Prepayments that are expected to be realized for not more than twelve (12) months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. Prepaid expenses are derecognized upon consumption and usage.

Input value-added tax (VAT) and Other Prepaid Taxes

Input VAT is the indirect tax paid by the Group on the local purchase of goods or services from a VAT-registered person. Creditable withholding tax pertains to taxes withheld by the customers upon payment and is to be deducted from income tax payable of the Group.

The Group's input tax and other prepaid taxes are initially recognized at face value and subsequently measured at face value less provision for impairment, if any. Allowance for unrecoverable input tax and other prepaid taxes, if any, are maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

Property and Equipment

Property and equipment are tangible assets that are held for use supply of services, for rental to others, or for administrative purposes, and are expected to be used during more than one (1) period.

Property and equipment are initially measured at cost. The cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location of its intended use.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	In Years
Buildings and improvements	5 to 50
Machinery and equipment	4 to 32
Transportation equipment and tools	5 to 10
Furniture and fixtures	3 to 10
Right-of-use asset	2

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment Properties

Investment properties are for rental and capital appreciation, and not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties (except land) are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	In Years
Land improvements	5
Buildings and improvements	50

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Interest in Joint Operation

The Group has entered into joint operations for the development of properties.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

Impairment of Non-financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increase to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are measured (initial and subsequent) at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Capital stock

Capital stock represents the par value of the shares of the Parent Company that are issued and outstanding as of reporting date.

Additional paid-in Capital

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

Treasury shares

Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Treasury shares represent capital stock of the Parent Company that is owned by its subsidiary.

Deficit

Deficit includes all current and prior period results of operation as disclosed in the consolidated statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided in the normal course of business.

Rental income

Rental from investment properties that is leased to a third party under an operating lease is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Rental received in advance is treated as advances from lessees and recognized as income when actually earned.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal amount outstanding and at the effective interest rate applicable.

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

Expense Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the consolidated statements of comprehensive income are presented using the functional method.

Direct cost and expenses

Direct cost and expenses are recognized as expense when the related services are rendered.

Operating expenses

Operating expenses constitute costs of operating and administering the business and are expensed as incurred.

Income Tax

The tax expense for the period comprises current tax only. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference is expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences, carrying forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carrying forward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group applies the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group is a party to operating leases as a lessor. Rentals received under operating leases are charged to consolidated statements of comprehensive income (net of any incentives).

Related Party Relationships and Transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the Group are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Group; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Group or to the parent of the Company; (viii) a person identified in (a) 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.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Retirement Benefits Obligation

The Group has no formal retirement plan for its employees as it does not meet the minimum number of employees required for the establishment of a retirement benefit plan, but accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641 (Retirement Law). Under RA 7641, the Group is required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes current service cost and estimated past service cost as determined under RA 7641.

Segment Reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported on the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 21.

Earnings (Loss) Per Share

Earnings (loss) per share are determined by dividing net income (loss) for the year by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Group and held as treasury shares.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 assessments 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. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Reporting Date

The Group identifies post-year events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the consolidated financial statements.

Significant Accounting Judgments in Applying the Group's Accounting

In the process of applying the Group's accounting policies, management has made the following judgments apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Leases

Group as lessee

The Group has entered into contract of lease for its office space it occupies. In determining the substance of the lease, the Group considered, among others, whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on management judgment, the Group's lease for its office space has substance of lease, thus, the Group recognized right-of-use asset representing the right to use the leased asset and lease liability representing its obligation to make lease payments.

Group as lessor

The Group has entered into property leases on its buildings classified as investment properties. The Group has determined that it retains all significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contracts are accounted for as non-cancellable operating leases. In determining whether a lease contract is non-cancellable, the Group considers the provisions in the lease contract which among others, the payment of rental corresponding to the unexpired portion of the lease period. The Group accounts the lease of its buildings under operating lease in accordance with the provision of lease contract and terms of the lease.

Determination of appropriate discount rate in measuring lease liability

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. The IBR is the rate of interest that the Group 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.

Distinction between investment properties and interest in joint operation

The Group determines whether a property contributed to joint venture operations will be classified as investment properties or investment in joint venture. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group or whether it will be retained as part of the Group's asset and treated as the Group's share in the joint venture, based on the provisions governing the joint venture agreement. The Group considers land contributed to the joint venture as its investment. The Group, in the normal course of business does not hold land to earn rentals or for capital appreciation; accordingly, land invested in the joint venture is classified as interest in joint operation (see Note 9).

Realizability of input VAT

The Group reviews and assesses its input VAT for its recoverability. Factors which primarily affect the recoverability include the completeness of the supporting documentation, entitlement to claim VAT paid as input tax credit against output tax liabilities and future vatable revenue. As at December 31, 2021 and 2020, the Group assessed that its input VAT is recoverable in future periods.

The Group's input VAT amounted to ₱4,024,213 and ₱3,621,444 as at December 31, 2021 and 2020, respectively (see Note 6).

Operating segments

The Group is organized and managed separately according to the nature of business. The Group reports its segment information according to its activities. Reportable segment operation pertains to the Group's leasing activity, while the non-reportable segment operation pertains to manufacturing operation, and mining and oil exploration (see Note 21).

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Significant Accounting Estimates and Assumptions

Determination of ECL on trade and other receivables, and advances to related parties

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 25.

The carrying amount of the Group's trade and other receivables amounted to ₱37,333,705 and ₱41,660,358 as at December 31, 2021 and 2020, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱86,474,558 and ₱90,825,700 as at December 31, 2021 and 2020, respectively (see Note 5).

The carrying amount of the Group's advances to related parties amounted to ₱30,582,214 and ₱29,645,327 as at December 31, 2021 and 2020, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱132,103,302 and ₱133,293,373 as at December 31, 2021 and 2020, respectively (see Note 20).

Useful lives of property and equipment, and investment properties

The Group estimates the useful lives of property and equipment, and investment properties, except land, are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of the property and equipment, and investment properties is based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The net carrying values of the Group's investment properties (except land) and property and equipment as at December 31 are as follows:

	2021	2020
Investment properties - note 8	**₱ 48,890,261**	₱ 51,955,850
Property and equipment - note 10	**1,764,075**	2,512,592
	₱ 50,654,336	₱ 54,468,442

Impairment of non-financial assets

Non-financial assets are periodically reviewed to determine any indication of impairment. Though management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

The accumulated impairment losses on investment properties, investment in joint operation, and property and equipment amounted to ₱237,408,239, ₱47,641,000 and ₱80,120,199, respectively, as at December 31, 2021 and 2020 (see Notes 8, 9 and 10).

Retirement benefits obligation

The determination of the Group's obligation and cost of pension benefits is dependent on certain assumptions used by management in calculating such amounts. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation. In estimating the Group's retirement benefit obligation, the Group used the minimum required retirement payment of 22 ½ days for every year of service as mandated by RA 7641. The Group also considers the employees' current salary rate and the employees' number of service years.

Retirement benefits obligation as at December 31, 2021 and 2020, amounted to ₱792,300 and ₱750,600, respectively (see Note 18). The Group believes that the retirement benefits obligation and retirement expense would not materially differ had the Group used projected unit credit method for the computation of retirement benefits because of minimal number of employees.

Deferred tax assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying 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 asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized.

The Group looks at its projected performance in assessing the sufficiency and timing of future taxable income. Based on management assessment, the Group would not be able to realize the deferred tax assets in the near future. As at December 31, 2021 and 2020, the Group's unrecognized deferred tax assets amounted to ₱174,771,403 and ₱189,045,690, respectively, is disclosed in Note 19.

4. CASH

Cash as at December 31 are as follows:

	2021	2020
Cash on hand	**₱ 20,000**	₱ 20,000
Cash in banks	**9,569,982**	16,133,349
	₱ 9,589,982	₱16,153,349

Cash in banks earns interest at the respective bank deposit rates ranging from 0.16% to 0.24% per annum in 2021, 2020 and 2019. Interest income earned from deposit amounted to ₱23,949, ₱6,216, and ₱13,257 in 2021, 2020, and 2019 respectively (see Note 16).

There is no restriction on the Group's cash in banks as at December 31, 2021 and 2020.

5. TRADE AND OTHER RECEIVABLES (net)

Trade and other receivables (net) as at December 31 are as follows:

	2021	2020
Trade receivable – note 20	**₱ 11,215,841**	₱ 11,215,841
Advances to third parties	**109,291,112**	118,838,204
Rental receivable – note 22	**2,867,580**	1,983,890
Utilities receivable	**291,898**	292,911
Others	**141,832**	155,212
	123,808,263	132,486,058
Allowance for ECL	**(86,474,558)**	(90,825,700)
	₱ 37,333,705	₱ 41,660,358

Trade receivables pertains mainly of outstanding receivable from PHES pertaining to the Group's share in the proceeds of the lot sold in 2015 held as interest in joint venture.

Advances to third parties represent receivable from previously disposed subsidiaries.
Rent receivables are non-interest bearing and are collectible within thirty (30) days.

Other receivables include advances to employees and reimbursable expenses from PCIC subsidiaries' tenants.

Certain trade and other receivables, and advances to third parties were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized (see Note 25).

The movement in the allowance for ECL is as follows:

	2021	2020
Balance at beginning of year	**₱ 90,825,700**	₱90,670,276
Provisions for (reversal of) ECL – note 16	**(4,351,142)**	155,424
At end of year	**₱ 86,474,558**	₱90,825,700

The Group's trade and other receivables as at December 31, 2021 and 2020 are not held as collateral for its liabilities and are free from any encumbrances.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 are as follows:

	2021	2020
Creditable withholding tax	**₱ 12,139,235**	₱ 10,853,063
Input VAT	**4,024,213**	3,621,444
Prepaid expense	**160,046**	160,046
Deferred input VAT	**85,952**	–
Prepaid withholding tax	**55,247**	55,247
	₱ 16,464,693	₱ 14,689,800

As at December 31, 2021 and 2020, respectively, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

7. FINANCIAL ASSET AT FVOCI

The Group's financial asset at FVOCI consists of investment in unquoted shares of stock amounting to ₱12,500,000 represents ownership in Bulacan Harbour Dev't. Corp. This investment is irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature and it holds this investment to foreseeable future. The cost of the investment approximates its fair value.

The Group's financial assets at FVOCI as at December 31, 2021 and 2020 are not held as collateral for its financial liabilities.

8. INVESTMENT PROPERTIES (net)

Details of investment properties as at December 31 are as follows:

December 31, 2021	**Land**	**Land improvements**	**Buildings and improvements**	**Total**
Cost				
Balance at beginning and end of year	**₱1,034,826,997**	**₱ 3,290,824**	**₱ 312,179,250**	**₱1,350,297,071**
Accumulated depreciation				
Balance at beginning of year	**–**	**3,290,824**	**83,625,811**	**86,916,635**
Depreciation – note 14	**–**	**–**	**3,065,589**	**3,065,589**
Balance at end of year	**–**	**3,290,824**	**86,691,400**	**89,982,224**
Accumulated impairment loss				
Balance at beginning and end of year	**60,810,650**	**–**	**176,597,589**	**237,408,239**
Net carrying amounts, December 31, 2021	**₱ 974,016,347**	**₱ –**	**₱ 48,890,261**	**₱1,022,906,608**

December 31, 2020	Land	Land improvements	Buildings and improvements	Total
Cost				
Balance at beginning of year	₱1,044,392,897	₱3,290,824	₱312,179,250	₱1,359,862,971
Disposal	(9,565,900)	–	–	(9,565,900)
Balance at end of year	1,034,826,997	3,290,824	312,179,250	1,350,297,071
Accumulated depreciation				
Balance at beginning of year	–	3,290,824	80,560,222	83,851,046
Depreciation – note 14	–	–	3,065,589	3,065,589
Balance at end of year	–	3,290,824	83,625,811	86,916,635
Accumulated impairment loss				
Balance at beginning and end of year	60,810,650	–	176,597,589	237,408,239
Net carrying amounts, December 31, 2020	₱974,016,347	₱ –	₱51,955,850	₱1,025,972,197

Rental income earned on the above investment properties amounted to ₱23,857,767, ₱29,882,741, and ₱29,530,463 for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 22). While direct costs and expenses incurred on the buildings amounted to ₱18.84 million, ₱16.71 million, and ₱14 million in 2021, 2020, and 2019 respectively, shown under "Direct costs and expenses" in the consolidated statements of comprehensive income (see Note 14).

In 2020, the Group sold parcels of land with total carrying amount of ₱9,565,900 for a total consideration of ₱56,270,000 which resulted to a total gain of ₱46,704,100 (see Note 16).

The carrying amount of the buildings being leased out is ₱19,579,935 and ₱21,641,795 as at December 31, 2021 and 2020, respectively (see Note 22).

Fully depreciated investment properties still in use as at December 31, 2021 and 2020 amounted to ₱3,290,824.

No valuation of independent appraiser was conducted for the investment properties. The fair values of the investment properties were determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair values of the properties, the highest and best use of the properties is their current use. The fair value of investment properties amounted to ₱2,956,430,600 and ₱2,936,117,000 as at December 31, 2021 and 2020, respectively.

The fair value information of investment properties is disclosed in Note 27.

Land with aggregate amount of ₱6,484,935 was under litigation as at December 31, 2021 and 2020 (see Note 24).

Except from restrictions described above, there are no other restrictions on the realizability of its investment properties and no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

9. **INTEREST IN JOINT OPERATION** (net)

The Group's interest in joint operation represents land contributed to the Joint Operation.

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp. (PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the "Agreement") as Owners with Philippine Estates Corporation (PHES), as Developer. Under the Agreement, the owners contributed land with an approximate area of 29.5629 hectares located in Canumay, Valenzuela City, whereby PHES will develop an industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of shall constitute the owners share, divided proportionately to the areas of property contributed.

The carrying amount of land held for joint operation is as follows:

	2021	2020
Cost		
Balance at beginning and end of year	**₱570,557,369**	₱570,557,369
Additions	**3,333,915**	–
Balance at end of year	**₱573,891,284**	₱570,557,369
Accumulated impairment loss		
Balance at beginning and end of year	**47,641,000**	47,641,000
Net carrying amounts, December 31	**₱526,250,284**	₱522,916,369

The fair value information of investment properties is disclosed in Note 27.

As at December 31, 2021 and 2020, outstanding receivable from PHES amounted to ₱10,897,335 which pertain to the Group's share in the sale of lot net of expenses (see Note 20).

No liabilities, revenue and expenses recognized in relation to the joint venture in 2021 and 2020.

10. PROPERTY AND EQUIPMENT (net)

The reconciliation of property and equipment (net) as at December 31 as follows:

	Building and Improvements	**Machinery and Equipment**	**Transportation Equipment and Tools**	**Furniture and Fixtures**	**Right-of-use asset**	**Total**
Cost						
Balance at beginning of year	**₱ 800,000**	**₱547,522,657**	**₱ 9,917,567**	**₱ 9,037,312**	**₱ 230,283**	**₱ 567,507,819**
Additions	**–**	**–**	**–**	**631,890**		**631,890**
Balance at end of year	**₱ 800,000**	**₱547,522,657**	**₱ 9,917,567**	**₱ 9,669,202**	**₱ 230,283**	**₱ 568,139,709**
Accumulated depreciation						
Balance at beginning of year	**₱ 800,000**	**₱ 466,897,779**	**₱ 8,250,901**	**₱ 8,849,587**	**₱ 76,761**	**₱ 484,875,028**
Depreciation – note 15	**–**	**504,679**	**571,428**	**189,158**	**115,142**	**1,380,407**
Balance at end of year	**800,000**	**467,402,458**	**8,822,330**	**9,038,745**	**191,903**	**486,255,435**
Impairment loss						
Balance at beginning and end of year	**₱ –**	**₱ 80,120,199**	**₱ –**	**₱ –**	**₱ –**	**₱ 80,120,199**
Net carrying amounts, December 31, 2021	**₱ –**	**₱ –**	**₱ 1,095,238**	**₱ 630,457**	**₱ 38,380**	**₱ 1,764,075**

	Building and Improvements	Machinery and Equipment	Transportation Equipment and Tools	Furniture and Fixtures	Right-of-use asset	Total
Cost						
Balance at beginning of year	₱ 800,000	₱547,522,657	₱8,203,282	₱8,828,122	₱ 216,701	₱ 565,570,762
Additions	–	–	1,714,285	209,190	230,283	2,153,758
Disposal	–	–	–	–	(216,701)	(216,701)
Balance at end of year	₱ 800,000	₱547,522,657	₱ 9,917,567	₱9,037,312	₱ 230,283	₱ 567,507,819
Accumulated depreciation						
Balance at beginning of year	₱800,000	₱465,565,271	₱8,203,282	₱8,828,122	₱ 180,584	₱483,577,259
Depreciation – note 15	–	1,332,508	47,619	21,465	112,878	1,514,470
Disposal	–	–	–	–	(216,701)	(216,701)
Balance at end of year	800,000	466,897,779	8,250,901	8,849,587	76,761	484,875,028
Impairment loss						
Balance at beginning and end of year	₱ –	₱ 80,120,199	₱ –	₱ –	₱ –	₱ 80,120,199
Net carrying amounts, December 31, 2020	₱ –	₱ 504,679	₱ 1,666,666	₱ 187,725	₱ 153,522	₱ 2,512,592

In 2020, the Group purchased two units of delivery truck and used as collateral for the borrowings obtained from a local bank (see Note 12). The net carrying amount of delivery trucks amounted to ₱1,095,237 and ₱1,666,666 in 2021 and 2020, respectively.

Total depreciation charged to operation amounted to ₱1,380,407, ₱1,514,470, and ₱5,948,153 in 2021, 2020, and 2019, respectively (see Note 15).

Fully depreciated property and equipment still in use as at December 31, 2021 and 2020 amounted to ₱564,367,633 and ₱17,831,400, respectively.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 are as follows:

	2021	2020
Accounts payable	**₱ 2,373,458**	₱ 2,127,733
Deferred rental – note 22	**2,667,285**	2,526,198
Government liabilities	**723,087**	550,700
	₱ 5,763,830	₱ 5,204,631

Accounts payable pertains to the amount due to suppliers which are payable from thirty (30) to ninety (90) days from the date of sale and do not bear any interest.

Deferred rental represents advance rental paid by the lessees.

Government liabilities pertain to VAT payable and tax withheld from payment to suppliers, employee's compensation, and statutory contributions to SSS, PHIC and HDMF.

There were no assets of the Group that were collateralized for the above accounts payable and other liabilities as at December 31, 2021 and 2020.

12. BORROWINGS

Borrowings as at December 31 consist of:

	2021	2020
Current	**₱ 375,911**	₱ 344,785
Noncurrent	**413,082**	759,002
	₱ 788,993	₱ 1,103,787

On December 5, 2020, the Group entered into a chattel mortgage agreement with a local bank amounting to ₱1,140,000, to finance the purchase of Group's delivery trucks. The loan carries an annual interest of 9.46%, or total financing charges of ₱163,704 which approximates the market rate.

This loan is secured by transportation equipment with a carrying amount of ₱1,095,237 and ₱1,666,666 in 2021 and 2020, respectively (see Note 10).

Finance cost incurred and paid recognized in the statements of comprehensive income amounted to ₱83,560 in 2021 (see Note 17).

There were no significant loan covenants related to the Group's borrowings.

13. CAPITAL STOCK

Details of the Parent Company's capital stock as at December 31 are as follows:

	2021	2020	2019
Authorized – 3,500,000,000 shares at ₱1 par value per share	**₱ 3,500,000,000**	₱ 3,500,000,000	₱ 3,500,000,000
Issued and fully paid – 3,276,045,637 shares at ₱1 par value per share	**₱ 3,276,045,637**	₱ 3,276,045,637	₱ 3,276,045,637
Treasury stock – 10,000 shares	**(10,000)**	(10,000)	(10,000)
	₱ 3,276,035,637	₱ 3,276,035,637	₱ 3,276,035,637

Track record of registration of securities

The Parent Company was originally registered as REDECO with the SEC on October 19, 1956. The Parent Company was listed with the PSE on January 9, 1958 with an initial registered 200,000,000 shares.

On May 25, 1995, the BOD and stockholders approved a reverse stock split and a subsequent increase in the authorized capital stock in line with its recapitalization program. Accordingly, on November 15, 1995, the Parent Company filed with the SEC a motion to effect a 1-for-5 reverse stock split which decreased its authorized capital from ₱75 million divided into 75 million shares to ₱15 million divided into 15 million shares, both with a par value of P1 per share. It was approved by the SEC on January 15, 1996. This was also done in order to recall all outstanding stock certificates and be able to account for the over-issuance of shares which management has decided to be absorbed by the Parent Company.

On January 8, 1996, the Parent Company filed with the SEC a motion to increase its authorized capital stock from ₱15 million divided into 15 million shares to ₱1 billion divided into 1 billion shares with a par value of P1. The increase was approved by the SEC on May 16, 1996. Subscriptions to the increase in authorized capital stock were made through stocks-for-assets swap.

On September 2, 1996, the BOD and the stockholders approved a resolution to amend the Parent Company's Articles of Incorporation changing the par value per share of its capital stock from ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing the authorized capital stock from ₱500 million divided by 50 billion shares with a par value of ₱0.01 per share to ₱2.0 billion divided into 2.0 billion shares with a par value of ₱1.00 per share. The proposed amendments were approved by the SEC on September 27, 1996.

Relative to the approval of the proposed amendment, any part of such stock or other securities may, at any time, be issued, optioned for sale and sold or disposed of by the Parent Company pursuant to resolution of the BOD, to such persons and upon such terms as the BOD may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

On August 22, 1997, the BOD and the stockholders approved a further increase in the Parent Company's authorized capital stock from ₱2.0 billion to ₱3.5 billion divided into 3.5 billion shares with a par value of ₱1.00 per share. On March 11, 1998, the SEC approved the increase in the Parent Company's authorized capital stock.

As at December 31, 2021, 2020 and 2019, the Parent Company has outstanding 3,271,938,180 shares under its name. Remaining unconverted shares under REDECO as at December 31, 2021, 2020, and 2019, is 4,107,457 shares. Outstanding shares owned by the public are 1,413,467,270 in 2021, 2020 and 2019.

The historical market values of the Group's shares as published in the PSE are as follows:

	Market value per share
December 31, 2021	**₱0.23**
December 31, 2020	0.22
December 31, 2019	0.20

Treasury shares

Treasury shares represent 29,486,633 Parent Company's shares of stock acquired by RIC, a wholly owned subsidiary of PCIC, in prior years. In 2007 and 2009, RIC sold 13,000,000 and 16,476,633 shares of the Parent Company to a third party.

14. DIRECT COSTS AND EXPENSES

Direct costs and expenses for the years ended December 31 are as follows:

	2021	2020	2019
Property taxes	**₱6,914,281**	₱ 7,623,150	₱ 5,508,882
Security services	**4,254,347**	4,254,348	4,204,848
Repairs and maintenance	**4,175,297**	1,382,135	1,325,512
Depreciation - note 8	**3,065,589**	3,065,589	2,571,563
Insurance	**430,589**	384,110	392,511
	₱18,840,103	₱16,709,332	₱ 14,003,316

15. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2021	2020	2019
Salaries and wages	**₱ 3,851,006**	₱ 3,098,789	₱ 3,282,468
Professional fees	**2,400,000**	2,082,000	2,266,210
Communication, light and power	**1,620,042**	1,217,556	1,660,142
Taxes and licenses	**1,499,141**	4,802,424	2,558,419
Depreciation - note 10	**1,380,407**	1,514,470	5,948,153
Commission	**765,796**	829,701	1,359,439
Security service	**567,246**	567,246	560,646
SSS, Medicare and EC contributions	**283,605**	229,860	244,141
Listing and maintenance fee	**265,906**	281,806	501,965
Publication expense	**114,400**	156,728	–
Transportation and travel	**73,056**	52,735	71,182
Office supplies	–	–	9,798
Miscellaneous	**1,335,026**	4,743,984	874,330
	₱ 14,155,631	₱ 19,577,299	₱ 19,336,893

In 2021 and 2020, miscellaneous expense mainly pertains to penalties paid.

16. OTHER INCOME (LOSS) - net

Other income (loss) - net for the years ended December 31 is as follows:

	2021	2020	2019
Reversal of (provision for) ECL:			
Trade and other receivables – note 5	**₱ 4,351,142**	(₱ 155,424)	(₱ 18,941,044)
Advances to related parties – note 20	**1,190,071**	2,168,410	(14,279,715)
Interest income			
Cash in banks – note 4	**23,949**	6,216	13,257
Advances to related party – note 20	**931,565**	38,723	–
Gain on sale of investment properties – note 8	**–**	46,704,100	–
Write-off of other assets	**–**	(85,000)	–
Miscellaneous income	**–**	–	334,035
Other charges	**(1,050)**	(2,363,904)	(2,013,916)
	₱ 6,495,677	₱46,313,121	(₱34,887,383)

In 2020, the Group sold parcels of land with total carrying amount of ₱9,565,900 for a total consideration of ₱56,270,000 which resulted to a total gain of ₱46,704,100 (see Note 8).

Other charges mainly consist of penalties, surcharges and bank charges.

17. FINANCE COSTS

Details of finance costs for the years ended December 31 is as follows:

	2021	2020	2019
Advances from related parties – note 20	**₱ 512,433**	₱ 553,916	₱ 553,916
Borrowings – note 12	**83,560**	–	–
Lease liability – note 20	**31,433**	40,000	37,677
	₱ 627,426	₱ 593,916	₱ 591,593

18. RETIREMENT BENEFITS OBLIGATION

The Group adopted RA No. 7641 as its arrangement to provide retirement benefits to all its regular employees. In case of retirement, employees shall be entitled to receive such retirement benefits as may have been earned under the existing laws.

The movements in the defined benefit obligation recognized and presented as accrued retirement benefit obligation in the consolidated statements of financial position are as follows:

	2021	2020	2019
Balance at beginning of year	**₱ 750,600**	₱ 708,900	₱ 667,200
Provision for retirement	**41,700**	41,700	41,700
Balance at end of year	**₱ 792,300**	₱ 750,600	₱ 708,900

The provision for retirement benefits in 2021, 2020, and 2019 were included under salaries and wages account in the consolidated statements of comprehensive income. Management believes that the defined benefit obligation computed using the provisions of R.A. 7641 is not materially different with the amount computed using the projected unit credit method as required under PAS 19, *Employee Benefits*.

19. INCOME TAX

Reconciliation of tax expense

The reconciliation of income (loss) before tax is computed at the regular corporate tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Income (loss) before tax	**(₱ 3,269,716)**	₱ 39,315,315	(₱39,288,722)
Tax benefit at its statutory rate	**(₱ 817,429)**	₱ 11,794,595	(₱11,786,617)
Tax effect on:			
Expired NOLCO	**1,708,362**	4,295,412	5,513,834
Non-deductible expenses	**267,394**	2,235,327	634,460
Expired MCIT	**70,384**	69,299	4,215
Non-deductible portion of interest expense	**128,134**	58	348
Income subject to final tax	**(5,986)**	(14,013,095)	(3,978)
Changes in unrecognized deferred tax assets	**(14,274,287)**	(909,090)	8,307,823
Change in income tax rate	**13,186,803**	–	–
	₱ 263,375	₱ 3,472,506	₱ 2,670,085

The component of the Group's deferred tax assets (net) and deferred tax liability as at December 31 are as follows:

	2021	2020
Deferred tax assets		
Allowance for:		
ECL	**₱ 54,644,465**	₱ 67,235,722
Impairment loss on properties	**109,550,831**	109,550,831
NOLCO	**10,079,615**	11,725,444
MCIT	**298,417**	308,513
Accrued retirement benefits	**198,075**	225,180
Lease liability	**10,452**	48,112
Total	**₱ 174,781,855**	₱ 189,093,802
Unrecognized deferred tax assets	**(174,771,403)**	(189,045,690)
	₱ 10,452	₱ 48,112
Deferred tax liability		
Right-of-use asset (net)	**₱ 9,595**	₱ 46,057

As at December 31, 2021, the Group's NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2021	2026	₱ –	₱12,279,289	₱ –	₱ –	**₱12,279,289**
2020	2025	15,628,033	–	–	–	**15,628,033**
2019	2022	12,411,139	–	–	–	**12,411,139**
2018	2021	11,045,641	–	(6,833,450)	(4,212,191)	–
		₱39,084,813	**₱12,279,289**	**(₱6,833,450)**	**(₱4,212,191)**	**₱40,318,461**

As at December 31, 2021, the Group's MCIT that can be claimed as deduction from future income tax payable as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2021	2024	₱ –	₱ 60,287	₱ –	₱ –	**₱ 60,287**
2020	2023	81,549	–	–	–	**81,549**
2019	2022	156,581	–	–	–	**156,581**
2018	2021	70,384	–	(70,384)	–	–
		₱308,514	**₱ 60,287**	**(₱70,384)**	**₱ –**	**₱298,417**

Deferred tax assets and liability are determined using the income tax rates in the period the temporary differences are expected to be recovered and settled.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE Act), was passed into law. The salient provisions of the CREATE Act applicable to the Group 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 ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023;
3. The imposition of improperly accumulated earnings is repealed.

The impact of the CREATE Act in the Group's consolidated financial statements as at and for the year ended December 31, 2020 are as follows:

	National Internal Revenue Code (NIRC) of 1997	CREATE Act*	Impact of CREATE Act
Statement of Financial Position			
Deferred tax assets	₱ 197,624,750	₱164,718,260	**₱ 32,906,490**
Unrecognized DTA	(197,576,638)	(164,678,167)	**(32,898,471)**
Deferred tax liability	(46,057)	(38,380)	**(7,677)**
Statement of Comprehensive Income			
Provision for income tax - current (RCIT)/ (MCIT)	3,473,369	3,170,202	**303,167**
Provision for income tax – deferred	(863)	(521)	**(342)**

**Starting July 1, 2020, RCIT is at 25% and MCIT at 1%*

20. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, has transactions with related parties. The specific relationships, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement are shown below.

	Amount/ Volume		**Trade Receivables** (Note 5)		**Terms and**
Category	**2021**	2020	**2021**	2020	**conditions**
Receivable from related parties with common key management					
PHES	**₱ –**	₱ –	**₱10,897,335**	₱10,897,335	(a)
Genwire Manufacturing Corp. (GMC)	–	–	**318,506**	318,506	(b)
	₱ –	₱ –	**₱ 11,215,841**	₱ 11,215,841	

	Amount/Volume		**Advances to related parties**		**Terms and**
Category	**2021**	2020	**2021**	2020	**conditions**
Advances to related parties with common key management					
Polymax Worldwide Limited (PWL)	**₱ –**	₱ –	**₱105,060,000**	₱105,060,000	(c)
TWGI					
Cash advances	**(2,443,749)**	(3,751,387)	**50,841,257**	52,905,441	(c)
Interest income – note 16	**931,565**	38,723	–	–	(c)
Consultancy fee	**(480,000)**	(480,000)	–	–	(c)
Rental and utilities	**(72,000)**	(72,000)	–	–	(c)
Concept Moulding Corp. (CMC)	**811,000**	1,339,796	**5,784,259**	4,973,259	(c)
PHES	**1,000,000**	–	**1,000,000**	–	(c)
	(253,184)	(2,924,868)	**162,685,516**	162,938,700	
Allowance for ECL	**1,190,071**	2,168,410	**(132,103,302)**	(133,293,373)	
	₱ 936,887	(₱ 756,458)	**₱ 30,582,214**	₱ 29,645,327	

Category	Amount/Volume 2021	Amount/Volume 2020	Advances from related parties 2021	Advances from related parties 2020	Terms and conditions
Advances from related parties with common key management					
PCC	**₱ 260,775**	₱ 204,955	**₱ 82,465,864**	₱ 82,205,089	(d)
Diamond Stainless Corp. (DSC)	**(23,249,870)**	(48,300,210)	**70,557,800**	93,807,670	(d)
PHES	**5,042,301**	553,915	**36,615,524**	31,573,223	(e)
IPC	**(45,798)**	(56,110)	**24,059,665**	24,105,463	(d)
KIC	–	–	**23,539,858**	23,539,858	(d)
Rexlon Realty Corp. (RRC)	**23,187,370**	–	**23,187,370**	–	(d)
PRC	–	–	**15,540,753**	15,540,753	(d)
The Wellex Group, Inc.	–	–	**13,722,810**	13,722,810	(c)
Ropeman Int'l Corp.	–	–	**3,202,528**	3,202,528	(d)
Polymaster Industrial Corporation	**62,500**	–	**62,500**	–	(d)
	5,257,278	(47,597,450)	**292,954,672**	287,697,394	
Advances from stockholders/key management					
Key management and officers	**(10,168,165)**	–	**147,950,629**	158,118,794	(f)
	(₱ 4,910,887)	₱47,597,450	**₱ 440,905,301**	₱445,816,188	

(a) Receivable from co-venturer

The Group has outstanding receivable from PHES pertaining to the Group's share in the proceeds of the lot sold in 2015 held as interest in joint operation (see Note 9). This receivable is unsecured, unguaranteed and to be settled in cash.

(b) Receivable from related parties with common key management

The Group pays operating expenses on behalf of GMC. These receivables are normally collected the following year, unsecured, non-interest bearing and with no guarantee and to be settled in cash. The Group has also made offsetting arrangements to settle intercompany receivables and payables.

(c) Advances to related parties with common key management

PWL

On November 24, 2009, Philippine Veterans Bank foreclosed land to secure payment of loan of an affiliate amounting to ₱88.8 million by virtue of the real estate mortgage, executed by the Group. The property was sold at an auction to the highest bidder Philippine Veterans Bank which tendered an amount of ₱71.326 million.

The Group recognized advances to PWL of ₱105.06 million for the value of the land foreclosed to settle the affiliate loan with the bank.

The advances are unsecured, with no definite terms of repayment and with no guarantee and to be settled in cash.

TWGI

On December 16, 2020, TWGI issued promissory note amounting to ₱46,578,262 for five years maturing December 15, 2025 and bear an interest of 2% per annum. Interest income earned amounted to ₱931,565 and ₱38,723 in 2021 and 2020, respectively (see Note 16).

To settle the outstanding advances, the Group entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Group entered into a Consultancy Agreement with TWGI which is valid until April 30, 2022. Total consultancy fees incurred for the years ended December 31, 2021 and 2020 amounted to ₱480,000, shown under 'Professional fees' account in operating expenses.

- Lease Agreement for the Group's office space for a monthly rental of ₱12,500, utilities of ₱5,000, and storage fee of ₱1,000 which is valid until April 30, 2022. Total utilities amounted ₱72,000 for the years ended December 31, 2021 and 2020. The Group recognized the asset as 'right-of-use asset' and corresponding lease liability.

The present value of the lease liability as at December 31 is as follows:

	2021	2020
Current	**₱ 41,806**	₱ 118,567
Noncurrent	–	41,806
	₱ 41,806	₱ 160,373

The future minimum lease payments as at December 31 are as follows:

	2021	2020
Not later than one year	**₱ 50,000**	₱ 150,000
Later than one year but not later than five years	–	50,000
Future minimum lease payments	**50,000**	200,000
Amounts representing finance charges	**(8,194)**	(39,627)
	₱ 41,806	₱ 160,373

The net carrying amount of the right-of-use assets recognized as at December 31, 2021 and 2020 is disclosed in Note 10.

Total finance costs charged to operations for the lease amounted to ₱31,433, ₱40,000 and ₱37,677 for the years ended December 31, 2021 2020 and 2019, respectively (see Note 17).

CMC and PHES

The Group provided non-interest bearing and unguaranteed advances to CMC and PHES for working capital requirements. The advances are unsecured, with no definite terms of repayment and with no guarantee.

Certain advances to related parties were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for ECL have been recognized (see Note 26).

The movement in the allowance for ECL is as follows:

	2021	2020
Balance at beginning of year	**₱ 133,293,373**	₱ 135,461,783
Reversal of ECL – note 16	**(1,190,071)**	(2,168,410)
At end of year	**₱ 132,103,302**	₱ 133,293,373

(d) Advances from related parties

In prior years, the Group obtained unguaranteed and non-interest-bearing cash advances from related parties intended to finance its operating expenses, capital expenditures and payment of outstanding obligations. The Group has not made any arrangement for the terms, security and guarantee on the advances as the subsidiaries has ceased its manufacturing operations. The advances are payable in cash upon settlement depending on the availability of funds. The Group, however, looks into the possibility of offsetting arrangements to settlement the obligation.

(e) PHES

In 2009, the Group and PHES executed unsecured promissory note (PN) for the advances with a term of five (5) years, and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. This PN was renewed in 2014 with a three-year term which matured during 2018 at interest of two percent (2%) per annum. This cash advance is to be settled through cash payments. On December 29, 2016, the PN was renewed for three (3) years and matured in January 2021. The promissory note is extended for an additional three (3) years from January 31, 2021 to January 31, 2024. Finance costs charged for the years ended December 31, 2021, 2020 and 2019 amounted to ₱512,433, ₱553,916 and ₱553,916 (see Note 17).

(f) Advances from key management

The Group obtains non-interest bearing and unsecured advances from stockholders and key officers for working capital purposes. The advances have no guarantee and definite terms of repayment. Payment will depend on the availability of funds. These amounts are payable in cash upon settlement.

(g) Remuneration of key management personnel.

Directors' fees paid for the years ended December 31, 2021, 2020 and 2019 amounted to ₱60,000, ₱30,000 and ₱20,000, respectively.

With the cessation of the subsidiaries commercial operations in prior years and the Group is in tight cash position, management decided to suspend any form of compensation to key management and officers effective in 2004.

21. BUSINESS SEGMENT INFORMATION

a) Segment information

The Group's operating business segment are organized and managed separately according to business activities. The Group's management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group's financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group has no geographical segment for segment reporting format as the Group's risks and rates of return are in the same economic and political environment, with the Group is incorporated and operating in the Philippines.

The Group has only one (1) operating segment representing the Group's leasing activity on its idle properties as warehouses to third parties. Non-reportable segments represent the Parent Company's discontinued operations of the manufacturing operation and mining and oil exploration which is under development. The Parent Company does not earn revenue or may earn revenue that is only incidental to activities such as interest income.

The segment information on reportable segment is as follows:

	2021	2020	2019
Revenue of reportable segment	**₱ 23,857,767**	₱ 29,882,741	₱ 29,530,462
Other income (expense)	**(2,470,237)**	(744,105)	345,814
Depreciation	**(3,065,589)**	(3,065,589)	(2,571,563)
Direct costs and expenses	**(13,342,273)**	(10,832,291)	(8,938,860)
Operating expenses	**(7,122,200)**	(5,685,733)	(16,314,098)
Finance cost	**(627,426)**	(593,916)	(591,593)
Income tax	**(251,179)**	(3,467,238)	(2,664,849)
Segment net income (loss)	**(₱ 3,021,137)**	₱ 5,493,869	(₱ 1,204,687)
Total segment assets	**₱ 1,422,044,857**	₱ 1,419,087,344	₱ 1,411,731,389
Expenditure for non-current assets	**₱ –**	₱ –	₱ –
Total segment liabilities	**₱ 589,897,893**	₱ 583,919,242	₱ 582,057,156

As at December 31, 2021, 2020, and 2019, the Group has no intersegment revenue to be reported.

The following reconciliations were provided for additional segment information:

Net income (loss)

	2021	2020	2019
Net income (loss) of reportable segment	**(₱ 3,021,137)**	₱ 5,493,869	(₱ 1,204,687)
Net Income (loss) of non-reportable segment	**(2,237,084)**	32,165,404	(107,855,871)
Intercompany income/expenses eliminated in the consolidation	**1,725,130**	(1,816,464)	67,101,751
Net income (loss) reported in the consolidated statements of comprehensive income	**(₱ 3,533,091)**	₱ 35,842,809	(₱ 41,958,807)

Assets

	2021	2020
Assets of reportable segment	**₱ 1,422,044,857**	₱ 1,419,087,344
Assets of non-reportable segment	**1,284,705,770**	1,290,976,781
Intercompany receivables eliminated in the consolidation	**(1,049,252,770)**	(1,043,870,177)
Assets reported in the consolidated statements of financial position	**₱ 1,657,497,857**	₱ 1,666,193,948

Liabilities

		2021		2020
Liabilities of reportable segment	₱	**589,897,893**	₱	583,919,242
Liabilities of non-reportable segment		**164,155,314**		168,189,242
Intercompany liabilities eliminated in the consolidation		**(299,414,482)**		(292,306,759)
Liabilities reported in the consolidated statements of financial position	₱	**454,638,725**	₱	459,801,725

b) Entity-wide information

The Group is domiciled in the Philippines. All revenues generated are from the Philippines. The revenue shown above represents the total Group's revenue from lease of real properties.

22. LEASES

The Group entered into lease contracts with various tenants for the rental of the Group's warehouse and building facilities. The lease term ranges from three (3) months to one (1) year and is renewable under such terms and conditions as the parties may agree, provided that at least ninety (90) days prior to the expiration of the lease period, the lessee shall inform the lessor in writing of his desire to renew the lease.

Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages. Outstanding advances from lessees amounted to ₱6,327,584 and ₱6,300,481 as at December 31, 2021 and 2020, respectively, as shown in the consolidated statements financial position.

Deferred rental income relative to the lease amounted to ₱2,667,285 and ₱2,526,198 as at December 31, 2021 and 2020, respectively, as shown under 'Accounts payable and other liabilities' account (see Note 11).

The future minimum lease receivables are as follows:

	2021	2020	2019
Due within 1 year	**₱ 2,667,285**	₱ 2,526,198	₱ 2,521,618
Due beyond 1 year but not more than 5 years	–	–	–
	₱ 2,667,285	₱ 2,526,198	₱ 2,521,618

The carrying amount of the buildings being leased out is ₱19,579,935 and ₱21,641,795 as at December 31, 2021 and 2020, respectively (see Note 8).

Outstanding balance of receivable from tenants as at December 31, 2021 and 2020 amounted to ₱2,867,580 and ₱1,983,890, respectively (see Note 5). Total rental income is ₱23,857,767, ₱29,882,741, and ₱29,530,463 in 2021, 2020, and 2019, respectively (see Note 8).

23. EARNINGS (LOSS) PER SHARE

The following table presents information necessary to calculate the loss per share:

	2021	2020	2019
Consolidated net income (loss) for the year	**(₱ 3,533,091)**	₱ 35,842,809	(₱41,958,807)
Weighted average number of common shares outstanding during the year	**3,276,035,637**	3,276,035,637	3,276,035,637
Earnings (loss) per share	**(₱ 0.0011)**	₱ 0.0109	(₱ 0.0128)

24. COMMITMENTS AND CONTINGENCIES

Commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group are not reflected in the accompanying Group consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Group consolidated financial statements.

a. On September 7, 1999, the BOD approved the execution of a third-party real estate mortgage on the Group’s properties located in Quezon City with an actual area of 6,678 square meters to secure the loan of Waterfront Philippines, Incorporated (WPI), an affiliate, with the Social Security System (SSS) amounting to ₱375 million. In 2003, SSS foreclosed the asset mortgaged in the amount of ₱198,639,000.

   The Group filed a civil case against SSS on the foreclosed property claiming for sum of money and damages in the amount of ₱500 million. On January 12, 2015, the contract of loan and real estate mortgage were declared null and void by the RTC. Thus, WPI was directed to return the amount of ₱375 million to SSS and for SSS to return the properties and shares used as collateral. SSS filed an appeal to the Court of Appeals.

   On August 30, 2019, the Court of Appeals issued its Decision reversing the RTC's Decision dated January 13, 2015 and Order dated May 11, 2015. The CA declared that the October 28, 1999 "'Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" and the extra judicial foreclosure sale of the Green Meadows properties covered by Transfer Certificate of Title Nos. N-153395 and N-153396 are valid.

   The CA ordered WPI to satisfy the deficiency under the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" in the sum of ₱841,567,136.85 due to SSS as of April 30, 2010. This obligation shall earn the stipulated interest and penalty charges, in accordance with the terms and conditions of the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock", computed from April 30, 2010 until finality of the Decision.

   On October 4, 2019, WPI filed a Petition for Review on Certiorari before the Supreme Court (SC). The SC in its decision dated July 6, 2021 granted the petition and the CA’s Decision dated August 30, 2019 was reversed and set aside. SSS filed its Motion for Reconsideration dated January 28, 2022 praying for the dismissal of WPI’s Petition for Certiorari. On February 2, 2022, the Office of the Solicitor General filed a Manifestation stating that it filed/served by electronic means its Motion for Reconsideration due to the physical closure of its offices as a result of the Covid-19 pandemic.

b. On June 24, 2019, the Group filed a civil case for annulment of public auction reconveyance, cancellation and reinstatement of title and damages with the Regional Trial Court of San Mateo Rizal (RTC). The complaint filed was dismissed by the RTC through the Resolution dated October 30, 2019 for failure of the Group to pay the full jurisdictional amount. The Group filed Motion for Reconsideration arguing that it was ready and willing to pay the full jurisdictional amount had the Office of the Clerk of Court (OCC) made the proper assessment, which was its duty and in which assessment plaintiff merely relied on. The Group also argues that the rule on the payment of docket fees should apply by analogy since the deposit required is also a jurisdictional amount and, accordingly, should be given time to pay the deposit upon reassessment by the OCC. On February 10, 2020, the Motion for Reconsideration was dismissed for lack of merit.

   On March 13, 2020, the case was escalated to the Supreme Court by filing a Petition for Review on Certiorari with the grounds that the RTC resolved the case in a way not in accord with the law and with the applicable decisions of the Supreme Court. Instead of dismissing the instant case, the RTC should have directed the Office of the Clerk of Court to assess the deposit, or the petitioner to make the correct deposit, required under Section 267 of R.A. 7160, consistent with the rule on the payment of jurisdictional amounts. On September 2, 2020, the Supreme Court denies the Petition for Review on Certiorari.

   On October 27, 2020, the Group asked the Supreme Court to consider the Resolution promulgated on September 2, 2020 and to issue another reversing and setting aside the resolution dated October 30, 2019, and the resolution dated February 10, 2020 issued by the RTC, and directing the office of the clerk of Court of the RTC of San Mateo, Rizal to assess the filing fees and the amount of deposit and interest that should be paid by petitioner, and directing the RTC, Branch 75 of San Mateo, Rizal to reinstate the instant case.

   On March 11, 2021, the Group received the notice from the Supreme Court dated January 25, 2021, denying the Motion for Reconsideration but before the Group can refile the case with the RTC, the Group received an offer from certain individuals to assume the above subject properties on an as-is-where-is basis on an exchange for their properties near the same location. The estimated values of the swapped properties are approximately the same. In order to avoid additional costs of a lengthy court dispute, the BOD has decided to accept the offer of asset-swap in a special meeting held on December 17, 2021.

   On February 23, 2022, the Group and certain individuals entered into a Memorandum of Agreement whereby both parties have voluntarily agreed, by and between themselves, to exchange their respective properties, on as-is-where-is basis.

25. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from both its operating and financing activities. The Group's risk management is coordinated with the Group, in close cooperation with the BOD, and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Group is exposed to are described below.

Credit risk

Credit risk refers to the risk that counterparty will default its contractual obligation resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its financial assets which composed of cash, trade and other receivables and advances to related parties.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, as summarized below:

Credit risk exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount financial assets recognized in the consolidated statements of financial position.

In order to minimize credit risk, the Group has developed and maintained internal credit risk grading to categorize exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECLs	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	25%	2
In default	Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	50%	25%	3
	Amount is over 2 year to 3 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	25%	3
	Amount is over 3 year to 5 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of consolidated statements of financial position, as summarized below:

		December 31, 2021			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks – note 4	(a)		**₱ 9,569,982**	**₱ –**	**₱ 9,569,982**
Trade and other receivables – note 5	(b)	Lifetime ECL	**123,808,263**	**(86,474,558)**	**37,333,705**
Advances to related parties – note 20	(b)	Lifetime ECL	**162,685,516**	**(132,103,302)**	**30,582,214**
Total			**₱296,063,761**	**(₱218,577,860)**	**₱ 77,485,901**

		December 31, 2020			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱16,133,349	₱ –	₱16,133,349
Trade and other receivables – note 5	(b)	Lifetime ECL	132,486,058	(90,825,700)	41,660,358
Advances to related parties – note 20	(b)	Lifetime ECL	162,938,700	(133,293,373)	29,645,327
Total			₱311,558,107	(₱224,119,073)	₱87,439,034

None of the Group’s financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Trade and other receivables and advances to related parties

Trade and other receivables

Credit risk arising from rental income from leasing of buildings is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group’s credit risk exposure in case of defaults by the tenants.

For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

The Group has applied simplified approach to measure the loss allowance using management’s adopted policy on ECL on trade and other receivables.

Advances to related parties

For advances to related parties, the Group has applied the simplified approach to measure the loss allowance using management's adopted policy on ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

To measure the ECL, trade and other receivables, and advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade and other receivables, and advances to related parties are a reasonable approximation of the loss rates for the financial assets.

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on Group's credit risk grading, as follows for trade and other receivables, and advances to related parties:

		Gross Amount			
December 31, 2021	**ECL rate**	**Trade and other receivables**	**Advances to related parties**	**Total**	**Lifetime ECL**
Performing	0%	**₱ 1,079,587**	**₱ 1,853,854**	**₱ 2,933,441**	**₱ –**
Doubtful					
1-30 days	0.25%	**300,674**	**–**	**300,674**	**752**
31-90 days	1.25%	**290,518**	**–**	**290,518**	**3,631**
91-180 days	2.50%	**642,280**	**1,000,000**	**1,642,280**	**41,057**
181-360 days	6.25%	**1,248,861**	**–**	**1,248,861**	**78,054**
In default					
1-2 years	12.50%	**–**	**935,515**	**935,515**	**116,939**
2-3 years	25.00%	**324,906**	**66,844**	**391,750**	**97,938**
3-5 years	50.00%	**67,253,199**	**53,769,303**	**121,022,502**	**60,511,251**
Write-off	100%	**52,668,238**	**105,060,000**	**157,728,238**	**157,728,238**
		₱123,808,263	**₱162,685,516**	**₱286,493,779**	**₱218,577,860**

		Gross Amount			
December 31, 2020	ECL rate	Trade and other receivables	Advances to related parties	Total	Lifetime ECL
Performing	0%	₱1,473,619	₱ 38,723	₱ 1,512,341	₱ –
Doubtful					
1-30 days	0.25%	281,957	1,339,795	1,621,752	4,054
31-90 days	1.25%	782,623	–	782,623	9,783
91-180 days	2.50%	10,677	–	10,677	266
181-360 days	6.25%	468,844	–	468,844	29,303
In default		–	–	–	–
1-2 years	12.50%	753,722	53,511	807,233	100,904
2-3 years	25.00%	–	–	–	–
3-5 years	50.00%	76,046,378	56,446,671	132,493,049	66,246,525
Write-off	100%	52,668,238	105,060,000	157,728,238	157,728,238
		₱132,486,058	₱162,938,700	₱295,424,758	₱ 224,119,073

The management continues to review trade and other receivables and advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of third parties and related parties that have not paid for a long time and for which the Group believes that a portion of the receivables may not be collected. The allowance is estimated based on the Group's estimate for accounts which it believes may no longer be collected.

Equity price risk

Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Group's exposure to equity price risk arises from investments held by the Group and classified in the Group's consolidated statements of financial position as financial asset at FVOCI.

Equity instruments designated at FVOCI in unquoted price are held for strategic rather than trading purposes. The Group does not actively trade these investments.

If the price of the financial assets at FVOCI had been 10% higher/lower other comprehensive income for the years ended December 31, 2021 and 2020 would decrease/increase by ₱1,250,000.

Liquidity risk

The Group's policy is to maintain a balance between continuity of funding through cash advances from related parties.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table below has been drawn up based on undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay.

December 31, 2021	**With indefinite term of maturity**	**With definite term of maturity**		**Total**
		Due within one year	**More than one year**	
Accounts payable and other liabilities*	₱ –	₱ 5,040,743	₱ –	₱ 5,040,743
Lease liability	–	41,806	–	41,806
Advances from related parties	440,905,301	–	–	440,905,301
Advances from lessees	–	6,327,584	–	6,327,584
Borrowings	–	375,911	413,082	788,993
	₱ 440,905,301	₱11,786,044	₱ 413,082	₱453,104,427

**excluding government liabilities*

December 31, 2020	With indefinite term of maturity	With definite term of maturity		Total
		Due within one year	More than one year	
Accounts payable and other liabilities*	₱ –	₱ 4,653,931	₱ –	₱ 4,653,931
Lease liability	–	118,567	41,806	160,373
Advances from related parties	445,816,188	–	–	445,816,188
Advances from lessees	–	6,300,481	–	6,300,481
Borrowings	–	344,785	759,002	1,103,787
	₱ 445,816,188	₱11,417,764	₱ 800,808	₱458,034,760

**excluding government liabilities*

Substantial portion of the Group's financial liabilities consist of advances from related parties. There is no specific terms of advances agreed with the related parties. The Group does not expect to pay its liabilities with related parties nor expect related parties to collect within twelve (12) months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

26. CAPITAL RISKS MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for stockholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as share capital and deficit for the purpose of capital management.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities as shown in the consolidated statements of financial position less cash. Total capital is calculated as Equity as shown in the consolidated statements of financial position plus Net debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Group's activities are funded by owner's funds versus creditors' funds.

In 2021, the Group's strategy, which was unchanged from 2020, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31 were as follows:

	2021	2020
Debt	**₱ 454,638,725**	₱ 459,801,725
Cash	**(9,589,982)**	(16,153,349)
Net debt	**445,048,743**	443,648,376
Total equity	**1,202,859,132**	1,206,392,223
Total capital	**₱1,647,907,875**	₱1,650,040,599
Gearing ratio	**0.27:1**	0.27:1

The status of the Group's operation and management plan is fully disclosed in Note 1.

The Parent Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2021 and 2020, the Parent Company is in compliance with this externally imposed capital requirement.

On the other hand, the Parent Company's subsidiaries are not subject to any externally imposed capital requirements.

27. FAIR VALUE INFORMATION

Assets and liabilities not measured at fair value

The following table gives information about how the fair values of the Group's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period, are determined.

	2021		**Fair value**	**Valuation**
	Carrying Value	**Fair Value**	**hierarchy**	**techniques**
Financial Assets				
Advances to related parties	**₱ 30,582,214**	**₱ 30,082,928**	**Level 2**	**(a)**
Non-Financial Assets				
Investment properties	**1,022,906,608**	**2,956,430,600**	**Level 2**	**(b)**
Interest in joint operation	**526,250,284**	**526,250,284**	**Level 2**	**(b)**
	₱ 1,549,156,892	**₱3,482,680,884**		

	2021		**Fair value**	**Valuation**
	Carrying Value	**Fair Value**	**hierarchy**	**techniques**
Financial Liabilities				
Advances from related parties	**₱ 440,905,301**	**₱433,707,065**	**Level 2**	**(a)**
Borrowings	**413,082**	**375,276**	**Level 2**	**(a)**
	₱ 441,318,383	**₱ 434,082,341**		

	2020		Fair value	Valuation
	Carrying Value	Fair Value	hierarchy	techniques
Financial Assets				
Advances to related parties	₱ 29,645,327	₱ 29,146,342	Level 2	(a)
Non-Financial Assets				
Investment properties	1,025,972,197	2,936,117,000	Level 2	(b)
Interest in joint operation	522,916,369	522,916,369	Level 2	(b)
	₱ 1,578,533,893	₱3,488,179,711		

	2020		Fair value	Valuation
	Carrying Value	Fair Value	hierarchy	techniques
Financial Liabilities				
Advances from related parties	₱445,816,188	₱438,312,282	Level 2	(a)
Borrowings	759,002	713,607	Level 2	(a)
	₱446,575,190	₱439,025,889		

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

(a) The fair values of advances to related parties and advances from related parties are determined based on the discounted value of future cash flows using the prevailing PHP BVAL rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 1.660% and 3.2512% in 2021 and 1.71% and 2.077% in 2020.

(b) The fair value was determined by reference to zonal values of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

The fair value of cash in banks, trade and other receivables, accounts payable and other liabilities (excluding government liabilities), lease liability and advances from lessees approximate carrying value due to relatively short-term maturities.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation about the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes for the years ended December 31 are as follows:

December 31, 2021	**Balance as at January 1, 2021**	**Changes from financing cash flows**	**Balance as at December 31, 2021**
Advances from related parties	**₱445,816,188**	**(₱ 4,910,887)**	**₱ 440,905,301**
Borrowings	**1,103,787**	**(314,794)**	**788,993**
Lease liability	**160,373**	**(118,567)**	**41,806**
	₱447,080,348	**(₱ 5,344,248)**	**₱ 441,736,100**

December 31, 2020	Balance as at January 1, 2020	Changes from financing cash flows	Balance as at December 31, 2020
Advances from related parties	₱493,413,638	(₱ 47,597,450)	₱445,816,188
Borrowings	–	1,103,787	1,103,787
Lease liability	40,090	120,283	160,373
	₱493,453,728	(₱ 47,477,168)	₱447,080,348

* * * *

<u>Independent Auditors' Report on</u>
<u>Components of Financial Soundness Indicators</u>

To the Board of Directors and Stockholders of
WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
35th Floor, One Corporate Center
Doña Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Wellex Industries Incorporated and Subsidiaries** (the 'Group') as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 11, 2022. Our audits were made for the purpose of forming an opinion on the consolidated 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, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2021

Ratio	Formula	2021	2020
Profitability ratios:			
Return on assets	Net income (loss)	₱ –	₱ 35,842,809
	Divided by: Total assets	–	1,666,193,948
	Return on assets	**NA**	0.02:1
Return on equity	Net income (loss)	₱ –	₱ 35,842,809
	Divided by: Total equity	–	1,206,392,223
	Return on equity	**NA**	0.03:1
Net profit (loss) margin	Net income (loss)	₱ –	₱ 35,842,809
	Divided by: Total revenue	–	29,882,741
	Net profit (loss) margin	**NA**	1.20:1
Gross profit margin	Total revenue	**₱ 23,857,767**	₱ 29,882,741
	Less: Cost of service	**(18,840,103)**	(16,709,332)
	Gross profit	**5,017,664**	13,173,409
	Divided by: Total revenue	**23,857,767**	29,882,741
	Gross profit margin	**0.21:1**	0.44:1
Solvency and liquidity ratios:			
Current ratio	Current assets	**₱ 63,388,380**	₱ 72,503,507
	Divided by: Current liabilities	**12,518,447**	12,388,072
	Current ratio	**5.06:1**	5.85:1
Debt to equity ratio	Total liabilities	**₱ 454,638,725**	₱ 459,801,725
	Divided by: Total shareholder's equity	**1,202,859,132**	1,206,392,223
	Debt to equity ratio	**0.38:1**	0.38:1
Quick ratio	Quick assets*	**₱ 46,923,687**	₱ 57,813,707
	Divided by: Current liabilities	**12,518,447**	12,388,072
	Quick ratio	**3.75:1**	4.67:1
Cashflow liquidity ratio	Cashflow from operations	**₱ 2,189,363**	(₱ 5,673,894)
	Divided by: Current liabilities	**12,518,447**	12,388,072
	Cashflow liquidity ratio	**0.17:1**	(45.80%)

Financial leverage ratio			
Asset to equity ratio	Total assets	**₱ 1,657,497,857**	₱ 1,666,193,948
	Divided by: Total shareholder's equity	**1,202,859,132**	1,206,392,223
	Asset to equity ratio	**1.38:1**	1.38:1
Debt to asset ratio			
	Total liabilities	**₱ 454,638,725**	₱ 459,801,725
	Divided by: Total assets	**1,657,497,857**	1,666,193,948
	Debt to asset ratio	**0.27:1**	0.28:1

**Includes Cash and Current Receivables*

Statement Required by Rule 68, Part I, Section 5,
Revised Securities Regulation Code (SRC)

To the Board of Directors and Stockholders of
WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
35th Floor, One Corporate Center
Doña Julia Vargas Ave., cor. Meralco Avenue
Ortigas Center, Pasig City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Wellex Industries Incorporated and Subsidiaries** as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 11, 2022. The supplementary information shown in the *List of Supplementary Information* is presented for the purpose of filing with the Securities and Exchange Commission and are not required part of basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic consolidated financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and
valid in the audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

Richard Noel M. Ponce
Partner
CPA Certificate No. 120457
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and
valid in the audit of 2021 to 2025 financial statements
Tax Identification No. 257-600-228
PTR No. 8867323, January 17, 2022, Makati City
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
List of Supplementary Information
DECEMBER 31, 2021

SEC Supplementary Schedule as Required by the Revised SRC Rule 68

A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)

B. Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

D. Long-Term Debt

E. Indebtedness of Related Parties

F. Guarantees of Securities of Other Issuers

G. Capital Stock

Other Required Information

Reconciliation of Retained Earnings Available for Dividend Declaration

Map showing the Relationship between the Company and its Related Entities

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)
December 31, 2021

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at balance sheet date	Income received and accrued
Financial assets at FVOCI				
Bulacan Harbour Dev't. Corp.	125,000	₱12,500,000	₱ –	₱ –

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
December 31, 2021

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period

Not Applicable

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement
December 31, 2021

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Direct Subsidiaries							
Plastic City Industrial Corporation	₱ 47,427,988	₱2,373,468	₱ –	₱ –	₱ –	₱49,801,456	₱49,801,456
Indirect Subsidiaries (PCIC Subsidiaries)							
Pacific Plastic Corporation	97,486,991	–	(2,181,220)	–	–	95,305,771	95,305,771
Kennex Container Corporation	86,007,723	3,162,157	–	–	–	89,169,880	89,169,880
Inland Container Corporation	40,483,837	–	–	–	–	40,483,837	40,483,837
Rexlon Industrial Corp.	11,443,815	3,489,658				14,933,473	14,933,473
	₱282,850,354	₱9,025,283	(₱2,181,220)	₱ –	₱ –	₱289,694,417	₱289,694,417

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule D – Long-term Debt
December 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” in the related statement of financial position
Borrowings	Not Applicable	₱375,911	₱413,082

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule E – Indebtedness to Related Parties (Long Term Loans From Related Companies)
December 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
Diamond Stainless Corporation	₱ 93,807,670	₱ 70,557,800
Plastic City Corporation	82,205,089	82,465,864
International Polymer Corp.	24,105,463	24,059,665
Philippine Estates Corporation	31,573,223	36,615,524
Kenstar Industrial Corporation	23,539,858	23,539,858
Rexlon Realty Corp.	–	23,187,370
Pacific Rehouse Corp.	15,540,753	15,540,753
Ropeman International Corp.	3,202,528	3,202,528
Polymaster Industrial Corporation	–	62,500
The Wellex Group, Inc.	13,722,810	13,722,810
Key officers	158,118,794	147,950,629
	₱445,816,188	₱ 440,905,301

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule F – Guarantees of Securities of Other Issuers
December 31, 2021

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		Not Applicable		

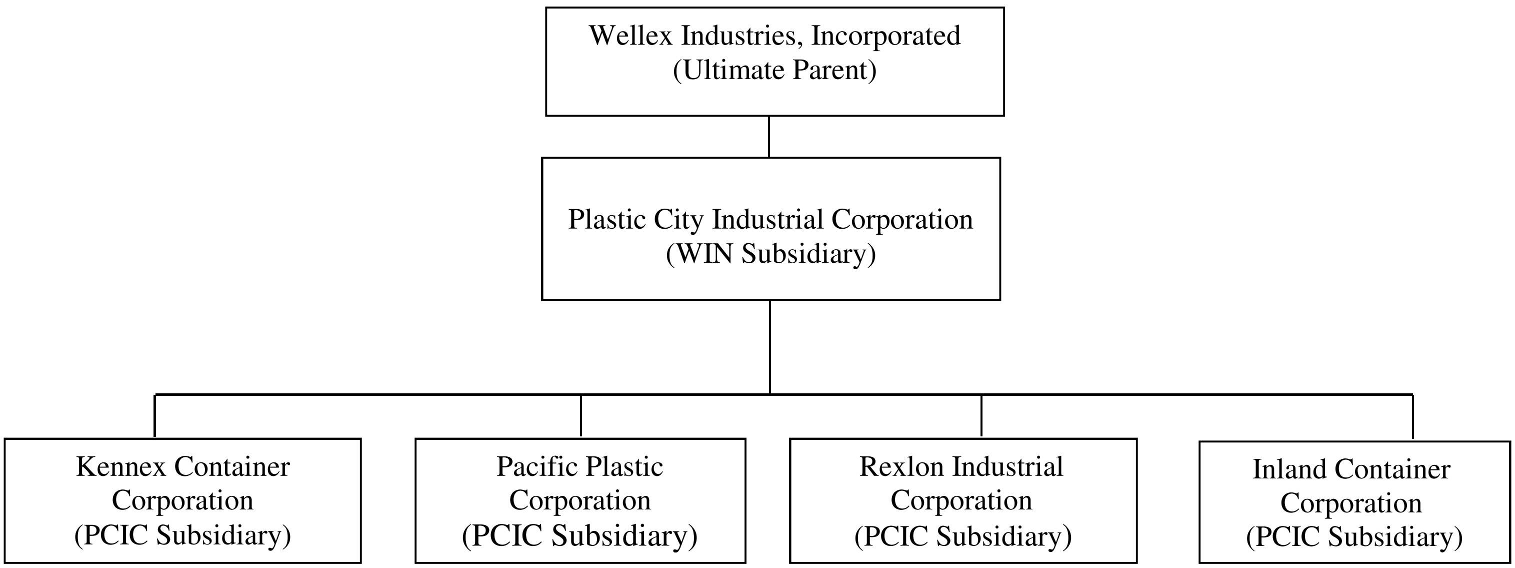
WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule G – Capital Stock
December 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	₱ 3,500,000,000	₱ 3,276,045,637	₱ –	₱ 10,000	₱ 1,858,414,432	₱ 1,417,621,205

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Reconciliation of Retained Earnings Available For Dividend Declaration
December 31, 2021

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱ –	
Add: Net income actually earned/realized during the period	–	
Net income during the period closed to Retained Earnings	–	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income 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	–	
Sub-total	–	
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)	–	
Net income actually earned during the period		₱ –
Add (Less):		
Dividend declarations during the period	–	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
TOTAL RETAINED EARNINGS		–
END AVAILABLE FOR DIVIDEND		₱ –

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Map of Conglomerate or Group of Companies within Which the Company Belongs
December 31, 2019



Re: WellexIndustriesInc_SEC Form 17-Q 2nd Qtr 2022_15Aug2022

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

To: wellexindustries@yahoo.com

Date: Monday, August 15, 2022 at 03:26 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

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

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, Compliance Officer of Wellex Industries, Inc., with SEC registration number 0000011790 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

1) That on behalf of Wellex Industries, Inc., 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, Wellex Industries, Inc., 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 12 2022 day of ____________________, 2022.

Affiant
TIN: 205-231-659

AUG 12 2022

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

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
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-0020134 Until 4/14/2025
TIN No. 176-239-056
PTR No. 4871351 / 01-06-2022
Mandaluyong City Tel. No. 02-85452321

MANDALUYONG CITY

Doc No. 11
Page No. 4
Book No. 96
Series of 2022

COVER SHEET

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SEC Registration No.

WELLEX INDUSTRIES, INC.
AND SUBSIDIARIES

(Company's Full Name)

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

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

Atty. Mariel L. Francisco
Contact Person

(02) 706-7888
Contact Telephone No.

12 31
Fiscal Year

17-Q
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,000
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

2nd QUARTER REPORT: WIN

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. SEC Identification Number: **11790**

3. BIR Tax Identification No.: **003-946-426-000**

4. **WELLEX INDUSTRIES, INCORPORATED**
   Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
   (Province, country or other jurisdiction of incorporation or organization

6. (SEC Use only)
   Industry Classification Code

7. **35th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig**
   Address of principal office

8. **Telephone No. (02) 8706-7888**
   Registrant's telephone number, including area code

9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA :

Title of Each Class	No. of Shares of Common Stock Outstanding: and Amount of Debt Outstanding
Common Shares – ₱1.00 par value	Issued - ₱3,271,952,740

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

    Yes [x]   No. [ ]

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The

Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [x]   No [ ]

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

Yes [x]   No [ ]

13. The aggregate market value of the voting stock held by non-affiliates: ₱409,925,558

14. Not Applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
See Annex A.1 to A.4, and the accompanying notes to financial statements

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

	Amounts in PhP			
	Apr-Jun, 2022	Apr-Jun, 2021	**Jan-Jun, 2022**	Jan-Jun, 2021
Income Statement				
Rental Income	**₱5,078,105**	₱6,770,051	**₱9,940,125**	₱14,124,208
Direct Costs and Expenses	**2,767,470**	2,065,408	**6,036,215**	3,211,057
Gross Profit	**2,310,635**	4,704,643	**3,903,910**	10,913,151
Operating Expenses	**4,876,960**	6,955,085	**10,010,270**	14,413,911
Loss from Operations	**(2,566,325)**	(2,250,443)	**(6,106,360)**	(3,500,760)
Other Income (Expense)	**67,925**	62,019	**132,985**	(625,353)
Finance Costs	**-**	-	**-**	-
Loss before Tax	**(2,498,400)**	(2,188,423)	**(5,973,375)**	(4,126,113)
Income Tax (Expense) Benefit	**-**	(795,441)	**-**	(795,441)
Net Loss for the period	**(2,498,400)**	(2,983,864)	**(5,973,375)**	(4,921,553)
Loss per share	**(₱0.0008)**	(₱0.0009)	**(₱0.0018)**	(₱0.0015)

	Amounts in PhP		
	June 2022	June 2021	December 2021
Balance Sheet			
Current Assets	**₱59,057,929**	₱65,836,005	₱63,388,380
Noncurrent Assets	**1,588,749,433**	1,590,299,780	1,594,109,477
Total Assets	**1,647,807,362**	1,656,135,786	1,657,497,857
		-	
Current Liabilities	**15,542,968**	13,917,846	12,518,447
Noncurrent Liabilities	**435,378,637**	440,747,269	442,120,278
Stockholders' Equity	**1,196,885,758**	1,201,470,671	1,202,859,132
Total Liabilities and Equity	**1,647,807,362**	₱1,656,135,786	₱1,657,497,857

Quarter ended June 30, 2022 as compared with quarter ended June 30, 2021

As of the quarter ending June 30, 2022, the company continues to lease out its warehouse facilities. Total revenue recorded for the 2nd quarter of 2022 amounted to ₱5.1 million as compared to the same quarter of 2020 amounting to ₱6.8 million or a decrease of ₱1.7 million or 24.99%. Number of areas being leased out for the 2nd quarter of 2022 is less than last quarter of 2021.

Income/(Loss) per share comparison for the quarter ended June 30, 2021 and 2021 are (₱0.0008) and (₱0.0009), respectively.

As of June 30, 2022, there are fourteen (14) companies leasing inside the PCIC compound occupying seventeen (17) areas. List of companies are as follows:

	TENANTS	CO.	Area in Sqm	Contract Period	2nd Qtr Rental Income (in Php)
1	SMYPC - MANILA GLASS PLANT - bldg 22-A	ICC	1,134	01/01/22-12/31/22	318,938
2	SMYPC - MANILA GLASS PLANT - bldg 22-B	ICC	1,134	01/01/22-12/31/22	318,938
3	CRISTINE GUEVARRA - bldg 34A	ICC	2,000	10/01/21-09/30/22	240,000
4	JESSIE LYN TAJALE - bldg 44	ICC	2,800	01/01/22-12/31/22	750,000
5	GRACEFUL LOGISTICS-open space 10	ICC	2,000	05/15/22-05/14/23	320,000

6	STA RITA 168 BUILDERS CORP.- OPEN SPACE 9	ICC	2,260	02/01/22-01/31/23	305,100
7	OYTANA TRUCKING AND LOGISTICS INC.	KCC	1,000	06/01/21-05/31/22	165,000
8	ABS-CBN CORPORATION	KCC	-	6 days only	234,304
9	SAN MIGUEL BREWERY INC.- bldg 23	PPC	3,105	05/01/22 - 04/30/23	819,228
10	SAN MIGUEL BREWERY INC.- shipping yard	PPC	1,430	05/01/22 - 04/30/23	236,250
11	SAN MIGUEL BREWERY, INC - Bldg 25 open yard	PPC	1,500	04/01/22 - 03/31/23	247,815
12	JHSA CORP. (formerly Big Thumb Ent. - bldg 23 open space	PPC	35	01/01/22 - 12/31/22	15,000
13	GOCHEMBROS CORP.- bldg 26 (formerly Goeng mktg)	PPC	524	01/01/22 - 12/31/22	147,375
14	FUDSOURCE CORPORATION - bldg 19	PPC	1,050	01/15/22 - 01/15/23	295,313
15	HIGANTIS CONTRACTOR CORP. - bldg 18	PPC	697.50	08/01/21 - 07/31/22	195,238
16	RDB TECSON & ASSOCIATES - bldg 24	PPC	1,476	04/01/22 - 03/31/23	434,893
17	RDBT CONSTRUCTION CORP,- bldg 24 open space	PPC	216	04/01/22 - 03/31/23	34,714

Direct cost and operating expenses for the 2nd quarter of 2022 totaled ₱7.6 million as compared to ₱9.0 million for the 2nd quarter of 2021 or a decrease of ₱1.4 million or 15.25%. The amount was recorded and mainly attributable to the following:

1. Direct cost for the second quarter of 2022 and 2021 consists of security services, depreciation expense, property taxes and repairs and maintenance. Total direct cost recorded for the second quarter of 2022 amounted to ₱2.8 million and ₱2.1 million for the second quarter of 2021. The increase is mostly attributable by the decrease in payment of property tax, increase in security services by ₱1.0 million and increase in repairs and maintenance by ₱1.0 million.

2. Operating expenses decrease by ₱2.1 million or 29.88% mainly resulted by the following movements of the accounts: increase in professional fees by ₱0.3 million, decrease in taxes and licenses by ₱1.6 million, increase in light and water by ₱0.1 million and decrease in other expenses by ₱1.0 million.

Other Income (Expense) consist of interest income, miscellaneous income, gain on sale, penalties and surcharges and interest expense. Total Other Income (Expense) for the second quarter of 2022 and 2021 is ₱67,925 and ₱62,019, respectively.

The Group does not recognize a Finance cost for second quarter 2022 and 2021.

Performance Indicators

The Parent Company is in the process of discussing with potential investors for planned forays into new business lines. Its subsidiary, PCIC, ceased its manufacturing operation since 2002 due to the Asian crises and stiff business competition and had leased out its building facilities for revenue. The Group determines their performance on the following five (5) key performance indicators:

1. Revenue Growth – the company gauge its performances by determining Rental Income and the number of tenants for the year. For the second quarter of 2022, the company has an average of ₱362,722 rental income per tenant or a decrease by ₱158,051 rental income per tenant or 30.35% as compared to second quarter of 2021.
2. Receivables - the company assesses collection of receivables and management of credit by determining the past due ratio done thru the aging of receivables. For the second quarter of 2022, ratio of past due receivables to total outstanding was 98.51%. The current quarter exceeds the management gauge on past due receivables due to significant number of receivables from third parties which are no longer operating. These third parties are previous subsidiary of the Group. Collection of receivables was also affected by the negative impact to the finances of the tenants due to COVID 19 pandemic.
3. Gross Profit Margin - this is derived by dividing the gross profit over the revenues amount. The second quarter of 2022 has a gross profit margin of 45.50%, lower by 23.99% than the second quarter of 2021. Decrease pertains to higher direct cost for the current quarter.
4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations. Working capital ratio for second quarter of 2022 was 379.97% as compared to 473.03% on the second quarter of 2021. Decrease is attributable to decrease in current assets by ₱6.8 million or 10.30% and Increase in current liabilities by ₱1.6 million or 11.68%.

5. Advances by the Affiliates - For the second quarter of 2022, the company has total advances from affiliates amounting to ₱434.2 million or a decrease of ₱5.1 million from last quarter's ₱439.3 million balance.

Further discussion of accounts of which registered an increased or decreased by 10% or more follows:

Cash
The Group's cash decreased by ₱0.1 million or 2.14% for the second quarter of June 30, 2022 as compared to second quarter 2021 due to the following activities: (a) net cash used in operating activities is ₱0.0 million, (b) net cash generated in investing activities is ₱3.4 million and (c) net cash used in financing activities ₱6.9 million.

Prepayments and other current assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. The account increase in the second quarter of June 30, 2022 by ₱1.8 million or 11.42% due to increase in creditable withholding tax by ₱1.5 million, increase in input VAT by ₱0.5 million and decrease in prepaid expenses by ₱0.2 million.

Property and Equipment
There's a decrease in property and equipment amounting to ₱0.8 million or 38.16% on the second quarter of June 30, 2022 as compared to last quarter 2021 due to depreciation.

Deferred Asset and Liabilities
The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying 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 asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized. The Group's deferred asset account in the second quarter of 2022 decrease by ₱37,660 or 78.28% as compared to the second quarter of 2021.

The Group also has deferred liabilities which was decrease by ₱36,461 or 79.17% in the second quarter of 2022 as compared to previous quarter of 2021.

Lease Liability
Lease liability composed of current and non-current portion. The current portion decrease by ₱76,761 or by 64.74% while the non-current portion decreased by ₱41,806 or 100% in the second quarter of 2022.

Accounts Payable and Other Liabilities
Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables and accrued expenses. The account increase by ₱1.9 million or 27.85% main due to the following movements; decrease in accounts payable by ₱0.1 million, increase in government liabilities by ₱0.4 million and increase in deferred rental by ₱1.7 million.

Borrowing
The Group's borrowings consist of current portion and non-current portion. As of second quarter of 2022, the Group recorded a current borrowing portion amounting to ₱192,385 and ₱344,785 as of June 30, 2022 and 2021, respectively or a decrease by 44.20% and non-current borrowing portion amounting to ₱413,082 and ₱619,282 as of June 30, 2022 and 2021, respectively or a decrease by 33.30%.

Income Tax Payable
The Group has an income tax payable in the second quarter of 2022 amounting to ₱0 as compared to the second quarter of 2021 amounting to ₱282,781.

(i) Summary of Material Trends, Events and Uncertainties
Wellex Industries, Inc.
The Parent Company has properties in Rodriguez (formerly Montalban), Rizal, with an aggregate cost of ₱52,335,000 as at June 30, 2022 and 2021. Land was received in exchange for its shares of stock in accordance with stock-for-assets swap arrangement entered into with various affiliates.

Land with aggregate carrying amount of ₱6,484,935 as at June 30, 2021 and 2020, was under litigation

(Note 21).

As at June 30, 2022 and 2021, the Parent Company's properties are not subject to any liens or encumbrances.

The Company is considering re-entry into the real estate market, specifically the development of industrial estates/subdivisions, for which it has already gained sufficient expertise in its operations in Valenzuela City.

The Company has put on hold its plans to acquire a mining company with an existing MPSA with the Mines and Geosciences Bureau (MGB). This is due to the stringent requirements that the Department of Environment and Natural Resources (DENR) had placed on several dormant mining companies and the subsequent business slowdown in the industry as a result thereof.

(ii) Events that will Trigger Direct of Contingent Financial Obligation
There are no events that will trigger direct or contingent financial obligation that is material to Wellex Industries Inc. and its subsidiaries including any default or 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 Wellex Industries Inc. with unconsolidated entities or other persons created during the reporting period. The present activity of the company is focused on reorganizing its operations in preparation for its new businesses.

(iv) Commitment for Capital Expenditures
Since the Plastic City Industrial Corporation ceased in manufacturing and commercial operation there are no commitments on major capital expenditures.

(v) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales / Net Income and Liquidity)
The Group has ceased manufacturing operations since 2002 and currently disposed to lease out its warehouse facilities. Rental Income recorded for the second quarter 2022 compared to 2021 decrease by 24.99%.

As of June 30, 2022, there are fourteen (14) occupying 17 areas such as the warehouses, shipyards, open spaces and extensions inside the Plastic City premise.

Current ratio (current assets over current liabilities) as of June 30, 2022 is 379.97% with current assets of ₱59.1 million over ₱15.5 million current liabilities. The Group's policy to address liquidity risk is to maintain a balance between continuity of funding through cash advances from the Parent Company and affiliates. Payment of current liabilities such as government taxes, employees' premium contributions, etc. was funded through these cash advances. The Group does not expect to pay its liabilities to related parties within twelve months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

(vi) Significant Element of Income or Loss That Did Not Arise From Continuing Operation
The Group adopted PFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on deficit as at January 1, 2019, without restatement of comparative figures.

The Company has adopted the PFRS 9 Financial Instruments from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

(vii) Material Changes on Line Items in Financial Statements
Material changes on line items in financial statements are presented under the "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Please refer to the attached Annex A.1 to A.5.

(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations
The financial condition or results of operations is not affected by any seasonal change.

(ix) Financial Risk Disclosure
The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group's risk management is coordinated with the Board of Directors, and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. Please refer to Annex A.5.

(x) Disclosure under SEC Memorandum Circular No. 3, Series of 2012
PFRS 9, Financial Instruments (2014). PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments – Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flow that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that are attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase as accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The Company has adopted the PFRS 9 Financial Instruments from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

PART II – OTHER INFORMATION

(1) Market Information

The principal market of Wellex Industries Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed in 1958. List of the high and low sales price by quarter for the last 3 years are as follows:

		High	Low
2022	First Quarter	0.310	0.215
	Second Quarter	0.300	0.260
2021	First Quarter	0.280	0.214
	Second Quarter	0.335	0.235
	Third Quarter	0.315	0.250
	Fourth Quarter	0.280	0.230
2020	First Quarter	0.230	0.156
	Second Quarter	0.209	0.168
	Third Quarter	0.204	0.176
	Fourth Quarter	0.275	0.186
2019	First Quarter	0.305	0.238
	Second Quarter	0.260	0.229
	Third Quarter	0.255	0.224
	Fourth Quarter	0.234	0.200

The price information as of August 12, 2022 was closed at ₱0.290.

(2) Holders

The numbers of shareholders of record as of June 30, 2022 were 1,000. Common shares issued and subscribed as of June 30, 2022 were 3,271,952,740.

List of Top 20 Stockholders
As of June 30, 2022

STOCKHOLDER'S NAME	NATIONALITY	SUBSCRIBED	% Total
PCD NOMINEE CORP.	FILIPINO	930,705,225	28.445
WILLIAM T. GATCHALIAN	FILIPINO	835,000,100	25.520
DEE HUA T. GATCHALIAN	FILIPINO	492,962,532	15.066
SHERWIN T. GATCHALIAN	FILIPINO	317,750,100	9.711
SHINJI KOBAYASHI	FILIPINO	210,650,000	6.438
ELVIRA A. TING	FILIPINO	111,850,000	3.418
KENNETH T. GATCHALIAN	FILIPINO	100,000,100	3.056
THE WELLEX GROUP, INC.	FILIPINO	80,000,000	2.445
RECOVERY DEVELOPMENT CORPORATION	FILIPINO	52,335,090	1.600
PACIFIC REHOUSE CORPORATION	FILIPINO	50,000,000	1.528
ORIENT PACIFIC CORPORATION	FILIPINO	36,340,000	1.111
LI CHIH-HUI	FILIPINO	23,500,000	0.718
PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	12,569,020	0.384
WELLEX GLOBAL EQUITIES, INC.	FILIPINO	4,050,000	0.124
INTERNATIONAL POLYMER CORP.	FILIPINO	2,700,000	0.083
SOLAR SECURITIES, INC.	FILIPINO	2,500,000	0.076
RODOLFO S. ETRELLADO	FILIPINO	750,000	0.023
PROBITY SEC. MGT. CORP.	FILIPINO	463,200	0.014
RICHARD L. RICARDO	FILIPINO	460,000	0.014
REGINA CAPITAL DEVELOPMENT CORPORATION	FILIPINO	300,000	0.009
JUAN MANUEL V. LOPEZ	FILIPINO	200,000	0.006

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.

Issuer	**WELLEX INDUSTRIES, INC.**
Signature	
	Kenneth T. Gatchalian
Title	President
Signature	
	Annabelle T. Abunda
Title	Compliance Officer
Date	August 12, 2022

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES **ANNEX A.1**

Consolidated Statements of Financial Position

		Unaudited 30-Jun-22	Unaudited 30-Jun-21	Audited 31-Dec-21
ASSETS				
Current Assets				
Cash	4	**₱6,000,739**	₱6,131,662	₱9,589,982
Trade and other receivables (net)	5	**35,536,864**	43,980,153	37,333,705
Prepayments and other current assets	6	**17,520,326**	15,724,190	16,464,693
		59,057,929	65,836,005	63,388,380
Noncurrent Assets				
Financial Assets at FVOCI	7	**12,500,000**	12,500,000	12,500,000
Advances to related parties (net)	18	**27,180,858**	28,136,096	30,582,214
Investment properties (net)	8	**1,021,373,815**	1,024,439,403	1,022,906,608
Interest in joint operation (net)	9	**526,250,284**	522,916,369	526,250,284
Property and equipment (net)	10	**1,338,181**	2,163,956	1,764,075
Deferred Asset		**10,452**	48,112	10,452
Other assets		**95,844**	95,844	95,844
		1,588,749,433	1,590,299,780	1,594,109,477
TOTAL ASSETS		**1,647,807,362**	1,656,135,786	1,657,497,857
LIABILITES AND EQUITY				
Current Liabilities				
Accounts payable and other liabilities	11	**8,873,786**	6,940,801	5,763,830
Advances from lessees	19	**6,434,990**	6,230,912	6,327,584
Lease Liability	18	**41,806**	118,567	41,806
Borrowing	12	**192,385**	344,785	375,911
Income Tax Payable		**-**	282,781	9,316
		15,542,968	13,917,846	12,518,447
Noncurrent Liabilities				
Advances from related parties	18	**434,163,660**	439,289,524	440,905,301
Borrowing - noncurrent	12	**413,082**	619,282	413,082
Retirement benefits obligation	17	**792,300**	750,600	792,300
Lease Liability - noncurrent	18	**-**	41,806	-
Deferred Tax Liability		**9,595**	46,057	9,595
		435,378,637	440,747,269	442,120,278
Equity				
Capital stock	13	**3,276,045,637**	3,276,045,637	3,276,045,637
Additional paid-in capital	13	**24,492,801**	24,492,801	24,492,801
Deficit		**(2,103,642,680)**	(2,099,057,767)	(2,097,669,306)
		1,196,895,758	1,201,480,671	1,202,869,132
Treasury stock	13	**(10,000)**	(10,000)	(10,000)
		1,196,885,758	1,201,470,671	1,202,859,132
TOTAL LIABILITIES AND EQUITY		**₱1,647,807,362**	₱1,656,135,786	₱1,657,497,857

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES **ANNEX A.2**
Consolidated Statements of Comprehensive Income

		Unaudited Apr-Jun 2022	Unaudited Apr-Jun 2021	**Unaudited Jan-Jun 2022**	Unaudited Jan-Jun 2021
RENTAL INCOME		**₱5,078,105**	₱6,770,051	**₱9,940,125**	₱14,124,208
DIRECT COSTS AND EXPENSES	14	**2,767,470**	2,065,408	**6,036,215**	3,211,057
GROSS PROFIT		**2,310,635**	4,704,643	**3,903,910**	10,913,151
OPERATING EXPENSES	15	**4,876,960**	6,955,085	**10,010,270**	14,413,911
LOSS FROM OPERATIONS		**(2,566,325)**	(2,250,443)	**(6,106,360)**	(3,500,760)
OTHER INCOME/(EXPENSE) (net)	16	**67,925**	62,019	**132,985**	(625,353)
FINANCE COSTS		**-**	-	**-**	-
LOSS BEFORE TAX		**(2,498,400)**	(2,188,423)	**(5,973,375)**	(4,126,113)
INCOME TAX (EXPENSE) BENEFITS		**-**	(795,441)	**-**	(795,441)
NET LOSS FOR THE PERIOD		**(2,498,400)**	(2,983,864)	**(5,973,375)**	(4,921,553)
LOSS PER SHARE		**(₱0.0008)**	(₱0.0009)	**(₱0.0018)**	(₱0.0015)

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES **ANNEX A.3**
Consolidated Statements of Changes in Equity

	Unaudited 30-Jun-22	Unaudited 30-Jun-21	Audited 31-Dec-21
CAPITAL STOCK	**₱3,276,045,637**	₱3,276,045,637	₱3,276,045,637
ADDITIONAL PAID-IN CAPITAL	**24,492,801**	24,492,801	24,492,801
DEFICIT			
Balance at beginning of the period	**(2,097,669,305)**	(2,094,136,214)	(2,094,136,215)
Net loss for the period	**(5,973,375)**	(4,921,553)	(3,533,091)
Balance at end of the period	**(2,103,642,680)**	(2,099,057,767)	(2,097,669,306)
TREASURY STOCK	**(10,000)**	(10,000)	(10,000)
TOTAL EQUITY	**₱1,196,885,758**	₱1,201,470,671	₱1,202,859,132

(The accompanying notes are an integral part of these consolidated financial statements.)

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES **ANNEX A.4**
Consolidated Statements of Cash Flows

	Unaudited June 30, 2022	Unaudited June 30, 2021	Audited December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income/(Loss) before tax	**(₱5,973,375)**	(₱4,921,553)	(₱3,269,716)
Adjustments for:			
Depreciation	**1,958,689**	2,358,053	4,445,996
Provision for (reversal of) ECL on:			
Trade and Receivables	**-**	-	(4,351,142)
Advances to related parties	**-**	-	(1,190,071)
Provision for retirement benefits	**-**	-	41,700
Finance costs	**-**	-	627,426
Write-off of other assets	**-**	-	-
Interest income - note 4	**(5,649)**	(12,530)	(955,514)
Gain/(Loss) on Sale of investment properties	**-**	-	-
Operating income (loss) before working capital changes	**(4,020,335)**	(2,576,030)	(4,651,321)
Decrease (increase) in:			
Trade and other receivables	**1,796,841**	(2,319,795)	8,677,795
Prepayments and other assets	**(1,055,633)**	(1,034,390)	(1,774,893)
Increase (decrease) in:			
Accounts payable and other liabilities	**3,109,956**	1,736,170	559,199
Advances from lessees	**107,406**	(69,569)	27,103
Net cash used in operations	**(61,765)**	(4,263,613)	2,837,883
Interest received	**5,649**	12,530	23,949
Income tax paid	**(9,316)**	(136,827)	(672,469)
Net cash provided by (used in) operating activities	**(65,433)**	(4,387,911)	2,189,363
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection (grant) of advances to related parties	**3,401,356**	1,509,231	1,184,749
Proceeds from sale of investment properties	**-**	-	-
Addition to property and equipment	**-**	(476,622)	(631,890)
Additions to investment properties	**-**	-	(3,333,915)
Net cash generated (used) in investing activities	**3,401,356**	1,032,608	(2,781,056)
CASH FLOWS FROM FINANCING ACTIVITIES			
Addition (Payment) of advances from related parties	**-**	-	(4,910,887)
Payment of lease liability	**(6,741,641)**	(6,526,664)	(150,000)
Proceeds (Payment) from borrowings	**-**	-	(314,794)
Finance cost paid	**(183,526)**	(139,720)	(595,993)
Net cash provided by (used in) financing activities	**(6,925,167)**	(6,666,384)	(5,971,674)
NET INCREASE (DECREASE) IN CASH	**(3,589,244)**	(10,021,687)	(6,563,367)
CASH			
At beginning of year	**9,589,982**	16,153,349	16,153,349
At end of year	**₱6,000,738**	₱6,131,662	₱9,589,982

(The accompanying notes are an integral part of these consolidated financial statements.)

1. CORPORATE INFORMATION, STATUS OF OPERATIONS AND MANAGEMENT PLANS

Corporate Information
Wellex Industries Incorporated (the 'Parent Company') was incorporated in the Philippines on October 19, 1956. The Parent Company engaged primarily in the business of mining and oil exploration and was known as Republic Resources and Development Corporation (REDECO). The Parent Company extended its corporate life for another 50 years up to October 19, 2056 which was approved by the Securities and Exchange Commission (SEC) on July 20, 2007.

The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The Parent Company wholly owns Plastic City Industrial Corporation (PCIC). PCIC ceased its manufacturing operations but PCIC subsidiaries have leased out their warehouse and building facilities.

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

Status of Operations and Management Plans
The consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group incurred losses in prior years which resulted to a deficit of ₱2,103,642,680 and ₱2,099,057,767 as at June 30, 2022 and 2021, respectively.

In prior years, the Parent Company's planned business of mining and oil exploration became secondary to real estate and energy development. On January 28, 2008, the BOD approved the amendment of the Parent Company's primary purpose from a holding company to a company engaged in the business of mining and oil exploration.

The purpose of the amendment of the primary purpose was to enable the Parent Company to ride the crest of a resurgent mining industry and including oil exploration of the country's offshore oil fields. The Parent Company's strategy is to identify mining properties with proven mineral deposits particularly nickel, chromite, gold and copper covered by Mineral Production Sharing Agreements (MPSAs) and to negotiate for either a buy-out or enter into a viable joint venture arrangement. For its oil and mineral exploration activities, the Parent Company has identified and conducted initial discussions with potential investors.

However, the continuing global financial crises dampened the metal and oil prices that adversely affected the investment environment of mining and oil, and mineral exploration industry of the country. To finance its operating expenses, the Parent Company obtains advances from related parties.

The Group has put on hold its plans to acquire a mining company with an existing MPSA with the Mines and Geosciences Bureau (MGB). This is due to the stringent requirements that the Department of Environmental and Natural Resources (DENR) had placed on several dormant mining companies and the subsequent business slowdown in the industry as a result thereof.

Redevelopment of the Plastic City Complex in Valenzuela
On December 17, 2012, the Group and other related parties entered into a Memorandum of Agreement (MOA) with Avida Land Corp (ALC) for the development of 21.3 hectares of land located in Valenzuela City into a residential clusters of condominium, townhouses, house and lots. Out of the total 21.3 hectares, 12.8 hectares (representing 60% of the aggregate area) was owned by the Group and its affiliates and around 8.47 hectares were owned by related parties.

By virtue of a Rescission Agreement dated November 29, 2019, the Group elected not to pursue their Agreement with ALC for the development of the real estate. The project will now be undertaken in a joint venture with Philippine Estate Corporation (PHES), an affiliate, and will involve the conversion of the industrial state into a mixed-use hub with complimentary commercial, office and residential zones. The Group believes that it will increase the value of the property and will encourage the development and growth of a new Central Business District of Valenzuela.

Business and Operations
Based on current operation, the Group's cash requirements can be generated internally from rental income from remaining lease contracts of its subsidiaries. The management believes that resources are sufficient for projected leasing plans for the next twelve (12) months. However, should there be an opportunity for an interesting business acquisition as related above, there might be a need to raise funds via a stock rights offering with the local bourse. In any case, the Group has substantial amount of advances to related parties which are realizable upon demand.

The Group will explore new business opportunities in the development of industrial estates, and to this end, ocular inspections for suitable raw land for development into industrial estates are being carried out in Cavite, Laguna, Batangas and Bulacan. Discussions have been carried out with local government city planning officials in order to determine which sites are candidates for long-term success, and the Group is in constant communication with urban planners and construction engineers in order to fully understand the financial feasibility models for the development of these industrial estates.

Project manpower will be outsourced when the operations commence and as the need arises. Technical and managerial plantilla positions will be filled when future operations commence in either the mining sector or industrial estate development. A capital-infusion and build-up program will address the Group's financial standing, the size and timing of which will be directly related to the planned entry into new business endeavors.

The renewed worldwide quarantines brought about by the COVID-19 Omicron variant has caused another slowdown in the business momentum of the country. Despite the limitations of regional travel and the reluctance of foreign investors to enter into new Philippine projects, Management is still optimistic that economic recovery is coming soon especially with the early successful rollout of proven vaccines.

Consequently, the Group's consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. The Group's consolidated financial statements do not include any adjustments relating to the recoverability and classification of the recorded assets or the recognition and classification of liabilities that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Parent Company and subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. 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 Group's voting rights and potential voting rights.

Consolidation of subsidiaries begins when the Parent Company obtains control over the subsidiaries and ceases when the Parent Company loses control of the subsidiaries. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Parent Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Changes in the ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions.

If the Parent Company losses control over its subsidiaries, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in consolidated statements of comprehensive income.

Composition of the Group
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2022 and 2021. The details of its subsidiaries are as follows:

		Ownership	
Subsidiaries	**Principal Activity**	**2022**	2021
Direct Ownership			
PCIC	Manufacturing	**100%**	100%
Indirect Ownership (Subsidiaries of PCIC)			
ICC	Manufacturing	**100%**	100%
KCC	Manufacturing	**100%**	100%
PPC	Manufacturing	**100%**	100%
Rexlon Industrial Corporation (RIC)	Manufacturing	**100%**	100%

a) Direct ownership

PCIC
PCIC and its subsidiaries have ceased operations but have leased out their warehouse facilities. The intention of the Group is to continue its operation by focusing on "injection molding" due to its very encouraging prospect and which has shown to have a high viability rating that will contribute highly towards the Group's maximum operation and financial position. Management is continuously in search for reliable joint venture partners who have the means to continue its operations.

b) Indirect ownership

ICC
ICC was incorporated in the Philippines and registered with the SEC on June 23, 1981, primarily to engage in the manufacture of plastic containers. The Company ceased its commercial operations on July 30, 2000, and has leased out its buildings as warehouses.

KCC
KCC was incorporated in the Philippines and registered with the SEC on February 14, 1983. The Company was established to manufacture all kinds of plastic containers. The Company ceased its commercial operations on April 30, 2002, and has leased out its buildings as warehouses.

PPC
PPC was incorporated in the Philippines and registered with the SEC on October 1, 1982. The Company was established primarily to manufacture plastic raw materials, rigid and non-rigid plastic products, plastic compounds, derivatives and other related chemical substances. The Company ceased its commercial operations on May 16, 2002, and has leased out its buildings as warehouses.

RIC
RIC was incorporated in the Philippines and registered with the SEC on October 9, 1984. The Company was engaged in the business of manufacturing and molding plastic products. The Company ceased its commercial operations on April 30, 2002.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2021.

COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16). The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Group adopted the amendments beginning April 1, 2021. As there are no rent concessions granted to the Group as a lessee, these amendments had no impact on the financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16). The amendments provide 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: (a) 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 (b) 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 apply retrospectively. These amendments had no impact on the consolidated financial statements of the Group.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2021
Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Reference to the Conceptual Framework (Amendments to PFRS 3). Minor amendments were made to PFRS 3, Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets and Philippine Interpretation IFRIC 21, Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16). The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37). The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRS Standards 2018–2020

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16, *Leases – Lease Incentives* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows subsidiaries that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
- PAS 41, *Agriculture, Taxation in Fair Value Measurements* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The annual improvements are effective for annual periods beginning on or after January 1, 2022.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12). The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The annual improvements are effective for annual periods beginning on or after January 1, 2023.

An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2). The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

Classification of Liabilities as Current or Non-current (Amendments to PAS 1). The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice.

PFRS 17, *Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity
PFRS 10, Consolidated Financial Statements and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments). 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 April 1, 2016 of the said amendments until the IASB has completed 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.

The Group has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2021 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

Determination of Fair Value and Fair Value Hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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 as explained above.

Fair value measurement disclosures of financial and non-financial assets are presented in Note 27 to the consolidated financial statements.

"Day 1" Difference
When 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 the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income 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 amount.

Financial Instruments
Initial Recognition, Measurement and Classification
The Group recognizes financial assets and financial liabilities in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Group classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

The Group does not have any financial instruments that are measured and classified at FVPL.

Financial Assets at Amortized Cost
Financial assets are measured at amortized when 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 measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2022 and 2021, included under financial assets at amortized cost are the Group's cash, trade and other receivables, and advances to related parties (see Notes 4, 5 and 18).

Cash
The Group's cash includes cash on hand and in banks. Cash in banks earn interest at respective bank deposit rates.

Trade and other receivables
Receivables consist of trade receivable, advances to third parties, rental receivable and utilities receivable.

Advances to related parties
Represent non-interest bearing cash advances to related parties for working capital requirements.

Equity Instruments Designated at FVOCI
Upon initial recognition, the Group may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at June 30, 2022 and 2021, the Group elected to classify irrevocably its unquoted equity investments under this category (see Note 7).

Financial Liabilities at Amortized Cost
Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at June 30, 2022 and 2021, included in financial liabilities at amortized cost are the Group's accounts payable and other liabilities, borrowings, advances from related parties, lease liability and advances from lessees (see Notes 11, 12, 18 and 19).

Accounts payable and other liabilities
Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables and accrued expenses.

Advances from related parties
Represents cash advances to related parties for working capital requirements.

Advances from lessees
Represent payment of advance rental which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period.

Borrowing cost
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period incurred.

Lease liability
Lease liability represents the Group's obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value is effectively treated as a financial liability which is measured at amortized cost, using its incremental borrowing rate as the discount rate. The weighted average rate applied is 19.6%.

Offsetting of Financial Instruments
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 a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the 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 was discharged, cancelled or has expired.

Where 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 statement of comprehensive income.

Impairment of Financial Assets
The Group recognizes an allowance for ECL for all debt instruments that are measured at amortized cost or at FVOCI. ECL is a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

For trade and other receivables, and advances to related parties, the Group applies a simplified approach in calculating ECL. The Group recognizes a loss using the management's adopted policy on ECL at the end of each reporting period. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Group recognizes impairment loss (reversals) in consolidated statements of comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are one (1) day past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one (1) year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes-off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over five (5) years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in consolidated statements of comprehensive income.

Prepayments and Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized.

Prepayments are initially recognized at cost and subsequently measured at cost less any utilized portion and impairment loss. This account comprises prepaid items which are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred.

Prepayments that are expected to be realized for not more than twelve (12) months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. Prepaid expenses are derecognized upon consumption and usage.

Input value-added tax (VAT) and Other Prepaid Taxes
Input VAT is the indirect tax paid by the Group on the local purchase of goods or services from a VAT-registered person. Creditable withholding tax pertains to taxes withheld by the customers upon payment and is to be deducted from income tax payable of the Group.

The Group's input tax and other prepaid taxes are initially recognized at face value and subsequently measured at face value less provision for impairment, if any. Allowance for unrecoverable input tax and other prepaid taxes, if any, are maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

Property and Equipment
Property and equipment are tangible assets that are held for use supply of services, for rental to others, or for administrative purposes, and are expected to be used during more than one (1) period.

Property and equipment are initially measured at cost. The cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location of its intended use.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	In Years
Buildings and improvements	5 to 50
Machinery and equipment	4 to 32
Transportation equipment and tools	5 to 10
Furniture and fixtures	3 to 10
Right-of-use Asset	2

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment Properties
Investment properties are for rental and capital appreciation, and not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties (except land) are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	In Years
Buildings and improvements	50
Land improvements	5

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Interest in Joint Operation
The Group has entered into joint operations for the development of properties.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

Impairment of Non-Financial Assets
At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increase to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are measured (initial and subsequent) at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Capital stock
Capital stock represents the par value of the shares of the Parent Company that are issued and outstanding as of reporting date.

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

Treasury shares
Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Treasury shares represent capital stock of the Parent Company that is owned by its subsidiary.

Deficit
Deficit includes all current and prior period results of operation as disclosed in the consolidated statements of comprehensive income.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided in the normal course of business.

Rental income
Rental from investment properties that is leased to a third party under an operating lease is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Rental received in advance is treated as advances from lessees and recognized as income when actually earned.

Interest income
Interest income is accrued on a time proportion basis, by reference to the principal amount outstanding and at the effective interest rate applicable.

Other income
Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

Expense Recognition
Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the consolidated statements of comprehensive income are presented using the functional method.

Direct cost and expenses
Direct cost and expenses are recognized as expense when the related services are rendered.

Operating expenses
Operating expenses constitute costs of operating and administering the business and are expensed as incurred.

Income Tax
The tax expense for the period comprises current tax only. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference is expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences, carrying forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carrying forward benefits of unused tax credits from excess of MCIT over RCIT and unused

NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group applies the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group is a party to operating leases as a lessor. Rentals received under operating leases are charged to consolidated statements of comprehensive income (net of any incentives).

Related Party Relationships and Transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply:

(i) the entity and the Group are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Group; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Group or to the parent of the Company; (viii) a person identified in (a) 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.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Retirement Benefits Obligation
The Group has no formal retirement plan for its employees as it does not meet the minimum number of employees required for the establishment of a retirement benefit plan, but accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641 (Retirement Law). Under RA 7641, the Group is required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes current service cost and estimated past service cost as determined under RA 7641.

Segment Reporting
A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported on the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 21.

Earnings (Loss) Per Share
Earnings (loss) per share are determined by dividing net income (loss) for the year by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Group and held as treasury shares.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 assessments 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. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Reporting Date
The Group identifies post-year events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in

the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. <u>SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTION</u>

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the consolidated financial statements.

Significant Accounting Judgments in Applying the Group's Accounting
In the process of applying the Group's accounting policies, management has made the following judgments apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Leases
Group as lessee
The Group has entered into contract of lease for its office space it occupies. In determining the substance of the lease, the Group considered, among others, whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on management judgment, the Group's lease for its office space has substance of lease, thus, the Group recognized right-of-use asset representing the right to use the leased asset and lease liability representing its obligation to make lease payments.

Group as lessor
The Group has entered into property leases on its buildings classified as investment properties. The Group has determined that it retains all significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contracts are accounted for as non-cancellable operating leases. In determining whether a lease contract is non-cancellable, the Group considers the provisions in the lease contract which among others, the payment of rental corresponding to the unexpired portion of the lease period. The Group accounts the lease of its buildings under operating lease in accordance with the provision of lease contract and terms of the lease.

Determination of appropriate discount rate in measuring lease liability
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. The IBR is the rate of interest that the Group 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.

Distinction between investment properties and interest in joint operation
The Group determines whether a property contributed to joint venture operations will be classified as investment properties or investment in joint venture. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group or whether it will be retained as part of the Group's asset and treated as the Group's share in the joint venture, based on the provisions governing the joint venture agreement. The Group considers land contributed to the joint venture as its investment. The Group, in the normal course of business does not hold the property to earn rentals or for capital appreciation; accordingly, land invested in the joint venture is classified as interest in joint operation (see Note 9).

Realizability of input VAT
The Group reviews and assesses its input VAT for its recoverability. Factors which primarily affect the recoverability include the completeness of the supporting documentation, entitlement to claim VAT paid as input tax credit against output tax liabilities and future vatable revenue. As at June 30, 2022 and 2021, the Group assessed that its input VAT is recoverable in future periods.

The Group's input VAT amounted to ₱4,373,776 and ₱3,866,903 as at June 30, 2022 and 2021, respectively (see Note 6).

Operating segments
The Group is organized and managed separately according to the nature of business. The Group reports its segment information according to its activities. Reportable segment operation pertains to the Group's leasing activity, while the non-reportable segment operation pertains to manufacturing operation, and mining and oil exploration.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Significant Accounting Estimates and Assumptions
Determination of ECL on trade and other receivables, and advances to related parties
The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 22.

The carrying amount of the Group's trade and other receivables amounted to ₱35,536,864 and ₱43,980,153 as at June 30, 2022 and 2021, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱86,474,558 and ₱90,825,700 as at June 30, 2022 and 2021, respectively (see Note 5).

The carrying amount of the Group's advances to related parties amounted to ₱27,180,858 and ₱28,136,096 as at June 30, 2022 and 2021, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱132,103,302 and ₱133,293,374 as at June 30, 2022 and 2021, respectively (see Note 18).

Useful lives of property and equipment, and investment properties
The Group estimates the useful lives of property and equipment, and investment properties, except land, are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of the property and equipment, and investment properties is based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment, and investment properties would increase recorded operating expenses and decrease noncurrent assets. The net carrying values of the Group's investment properties (except land) and property and equipment as at June 30, 2022 and 2021 are as follows:

	2022	2021
Property and equipment	**₱1,338,181**	₱2,163,956
Investment properties	**47,357,468**	50,423,056
	₱48,695,649	₱52,587,012

Impairment of non-financial assets
Non-financial assets are periodically reviewed to determine any indication of impairment. Though management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

The accumulated impairment losses on investment properties, investment in joint venture, and property and equipment amounted to ₱237,408,239, ₱47,641,000, and ₱80,120,199, respectively, as at June 30, 2022 and 2021 (see Notes 8, 9 and 10).

Retirement benefits obligation
The determination of the Group's obligation and cost of pension benefits is dependent on certain assumptions used by management in calculating such amounts. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation. In estimating the Group's retirement benefit obligation, the Group used the minimum required retirement payment of 22 ½ days for every year of service as mandated by RA 7641. The Group also considers the employee's current salary rate and the employees' number of service years.

Retirement benefits obligation as at June 30, 2022 and 2021, amounted to ₱792,300 and ₱750,600, respectively (see Note 17). The Group believes that the retirement benefits obligation and retirement expense would not materially differ had the Group used projected unit credit method for the computation of retirement benefits because of minimal number of employees.

Deferred tax assets
The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying 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 asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized.

The Group looks at its projected performance in assessing the sufficiency and timing of future taxable income. Based on management assessment, the Group would not be able to realize the deferred tax assets in the near future.

4. CASH

Cash as at June 30 are as follows:

	2022	2021
Cash on hand	**₱20,000**	₱20,000
Cash in bank	**5,980,739**	6,111,662
	₱6,000,739	₱6,131,662

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from deposits amounted to ₱5,649 and ₱12,530 as of June 30, 2022 and 2021, respectively (note 16).

There is no restriction on the Group's cash as at June 30, 2022 and 2021.

5. TRADE AND OTHER RECEIVABLES – net

Trade and other receivables as at June 30 are as follows:

	2022	2021
Advances to third parties	**₱106,829,974**	₱115,587,015
Receivable from related parties	**11,215,841**	11,215,841
Rental receivable	**3,506,948**	7,437,080
Utilities receivable	**268,985**	428,765
Others	**189,675**	137,150
	122,011,423	134,805,852
Allowance for ECL	**(86,474,558)**	(90,825,700)
	₱35,536,864	₱43,980,153

Trade receivable pertains mainly to outstanding receivable from PHES pertaining to the Group's share in the proceeds of the lot sold in 2015 held as interest in joint venture.

Rent Receivable are non-interest bearing and are collectible within thirty (30) days. Other receivables include advances to employees and reimbursable expenses from PCIC subsidiaries' tenants.

Certain trade and other receivables were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized

Advances to third parties represent receivable from a previously disposed subsidiary.

Other receivables include advances to employees and reimbursable expenses from PCIC subsidiaries' tenants.

The movement in the allowance for ECL is as follows:

	2022	2021
Beginning Balance	**₱86,474,558**	₱90,825,700
Provision for ECL	**-**	-
	₱86,474,558	₱90,825,700

The Group's trade and receivables as at June 30, 2022 and 2021 are not held as collateral for its liabilities and are free from any encumbrances.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and Other Current Assets as at June 30 are as follows:

	2022	2021
Creditable withholding tax	**₱12,762,439**	₱11,274,240
Input VAT	**4,373,776**	3,866,903
Prepaid Expenses	**384,110**	583,048
	₱17,520,326	₱15,724,190

As at June 30, 2022 and 2021, respectively, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

7. FINANCIAL ASSET AT FVOCI

The Group's financial asset at FVOCI consists of investment in unquoted shares of stock amounting to ₱12,500,000 represents ownership in Bulacan Harbour Dev't. Corp. This investment is irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature and it holds this investment to foreseeable future. The cost of the investment approximates its fair value.

The Group's financial assets at FVOCI as at June 30, 2022 and 2021 are not held as collateral for its financial liabilities.

8. INVESTMENT PROPERTIES – net

Details of investment properties as at June 30 are as follows:

June 30, 2022	**Land**	**Land Improvement**	**Building and improvements**	**Total**
Cost				
Beginning	**₱1,034,826,997**	**₱3,290,825**	**₱312,179,250**	**₱1,350,297,072**
Write off	**-**	**-**	**-**	**-**
Ending	**1,034,826,997**	**3,290,825**	**312,179,250**	**1,350,297,072**
Accumulated Depreciation				
Beginning	**-**	**3,290,825**	**86,691,400**	**89,982,224**
Depreciation	**-**	**-**	**1,532,794**	**1,532,794**
Ending	**-**	**3,290,825**	**88,224,194**	**91,515,019**
Accumulated impairment loss				
Beginning and end of the year	**60,810,650**	**-**	**176,597,589**	**237,408,239**
New Carrying amount	**₱974,016,347**	**₱-**	**₱47,357,468**	**₱1,021,373,815**

June 30, 2021	Land	Land Improvement	Building and improvements	Total
Cost				
Beginning	₱1,034,826,997	₱3,290,825	₱313,469,597	₱1,324,313,768
Write off	-	-	-	-
Ending	1,034,826,997	3,290,825	313,469,597	1,324,313,768
Accumulated Depreciation				
Beginning	-	3,290,825	83,625,810	86,916,635
Depreciation	-	-	1,532,795	1,532,795
Ending	-	3,290,825	85,158,605	88,449,430
Accumulated impairment loss				
Beginning and end of the year	60,810,650	-	177,887,935	211,424,935
New Carrying amount	₱974,016,347	₱-	₱50,423,056	₱1,024,439,403

Rental income earned on the above investment properties amounted to ₱5,078,105 and ₱6,770,051 for the quarters ended June 30, 2022 and 2021, respectively (see Note 19). While direct costs and expenses incurred on the buildings amounted to ₱2,767,470 million and ₱2,065,408 million in 2022 and 2021, respectively, shown under “Direct costs and expenses” in the statements of comprehensive income (see Note 14).

In 2020, the Group sold parcels of land with total carrying amount of ₱9,565,900 for a total consideration of ₱56,270,000 which resulted to a total gain of ₱46,704,100.

Fully depreciated investment properties still in use as at June 30, 2022 and 2021 amounted to ₱3,290,824.

No valuation of independent appraiser was conducted for the investment properties. The fair values of the investment properties were determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair values of the properties, the highest and best use of the properties is their current use. The fair value of investment properties amounted to ₱2,956,430,600 and ₱2,936,117,000 as at June 30, 2022 and 2021.

Land with aggregate amount of ₱6,484,935 was under litigation as at June 30, 2021 and 2020 (see Note 22).

Except from restrictions described above, there are no other restrictions on the realizability of its investment properties and no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

9. INTEREST IN JOINT OPERATION – net

The Group’s investment in joint venture represents land contributed to the Joint Venture.

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp. (PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the “Agreement”) as Owners with Philippine Estates Corporation (PHES), as Developer for the Metrotech Industrial Park. Under the agreement, the owners contributed land with an approximate area of 29.5629 hectares located in Canumay, Valenzuela City, whereby PHES will develop into industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of the shall constitute the owners share, divided proportionately to the areas of property contributed.

The carrying amount of joint venture asset is as follows:

	2022	2021
Cost		
At beginning and end of period	**₱573,891,284**	₱570,557,369
Transfer to investment property	**-**	-
	573,891,284	570,557,369

Accumulated impairment loss		
At beginning and end of period	**47,641,000**	47,641,000
Net carrying amounts	**₱526,250,284**	₱522,916,369

As at June 30, 2022 and 2021, outstanding receivable from PHES amounted to ₱10,897,335 which pertain to the Group's share in the sale of lot net of expenses (Note 18).

No liabilities, revenue and expenses recognized in relation to the joint venture for the second quarter of 2022.

10. PROPERTY AND EQUIPMENT – net

The reconciliation of property and equipment as at June 30 as follows:

June 30, 2022	**Building and Improvements**	**Machinery and Equipment**	**Transportation Equipment and Tools**	**Furniture and Fixtures (include WIN Parent**	**Right-Of-Use Asset**	**Total**
Cost						
At beginning & end of period	**₱800,000**	**₱547,522,657**	**₱9,917,568**	**₱9,669,202**	**₱230,283**	**₱568,139,711**
Additional/Disposal	**-**	**-**	**-**	**-**	**-**	**-**
	800,000	**547,522,657**	**9,917,568**	**9,669,202**	**230,283**	**568,139,711**
Accumulated depreciation						
At beginning of period	**800,000**	**467,402,458**	**8,822,330**	**9,038,745**	**191,903**	**486,255,435**
Depreciation	**-**	**-**	**391,028**	**34,866**	**-**	**425,894**
Balance at end of period	**800,000**	**467,402,458**	**9,213,358**	**9,073,611**	**191,903**	**486,681,330**
Impairment loss						
Balance at beg and end of period	**-**	**80,120,199**	**-**	**-**	**-**	**80,120,199**
Net carrying amounts	**₱-**	**(₱0)**	**₱704,210**	**₱595,592**	**₱38,380**	**₱1,338,181**

June 30, 2021	Building and Improvements	Machinery and Equipment	Transportation Equipment and Tools	Furniture and Fixtures	Right-Of-Use Asset	Total
Cost						
At beginning & end of period	₱800,000	₱547,522,657	₱9,917,567	₱9,037,312	₱230,283	₱5,67,507,819
Additional/Disposal	-	-	-	476,622	-	476,622
	800,000	547,522,657	9,917,567	9,513,934	230,283	567,984,441
Accumulated depreciation						
At beginning of period	800,000	466,897,779	8,250,901	8,849,587	76,761	484,875,028
Depreciation	-	504,679	285,714	34,866	-	825,258
Balance at end of period	800,000	467,402,458	8,536,614	8,884,453	76,761	485,700,286
Impairment loss						
Balance at beg and end of period	-	80,120,199	-	-	-	80,120,199
Net carrying amounts	₱-	₱-	₱1,380,953	₱629,481	₱153,522	₱2,163,956

In 2020, the Group purchased two units of delivery truck and used as collateral for the borrowings obtained from a local bank (see Note 12). The net carrying amount of delivery trucks amounted to ₱1,666,666.

Total depreciation charged to operation amounted to ₱212,947 and ₱301,557 in second quarter of 2022 and 2021, (see Note 15).

Fully depreciated property and equipment still in use as at June 30, 2022 and 2021 amounted to ₱17,831,400.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at June 30 are as follows:

	2022	2021
Accounts payable	**₱5,079,948**	₱5,182,082
Government liabilities	**662,321**	293,922
Deferred rental	**3,131,517**	1,464,797
	₱8,873,786	₱6,940,801

Government liabilities pertain to VAT payable and tax withheld from payment to suppliers, employee's compensation, and statutory contributions to SSS, PHIC and HDMF.

Accounts payable pertains to the amount due to supplier payable from thirty (30) to ninety (90) days from the date of sale and do not bear any interest.

Deferred rental represents advance rental paid by the lessees.

There were no assets of the Group that were collateralized for the above accounts payable and other liabilities as at June 30, 2022 and 2021.

12. BORROWINGS

Borrowings as at June 30 consist of:

	2022	2021
Current	**₱192,385**	₱344,785
Noncurrent	**413,082**	619,282
	₱605,467	₱964,067

On December 5, 2020, the Group entered into a chattel mortgage agreement with a local bank amounting to ₱1,140,000, to finance the purchase of Group's delivery trucks. The loan carries an annual interest of 9.46%, or total financing charges of ₱163,704 which approximates the market rate.

There were no significant loan covenants related to the Group's borrowings.

13. CAPITAL STOCK

Details of the Parent Company's capital stock as at June 30 are as follows:

	2022	2021	2020
Authorized – 3,500,000 shares at ₱1 par value per share	**₱3,500,000,000**	₱3,500,000,000	₱3,500,000,000
Issued and fully paid – 3,276,045,637 shares shares			
at ₱1 par value per share	**3,276,045,637**	3,276,045,637	3,276,045,637
Less: Treasury stock – 10,000 shares	**10,000**	10,000	10,000
	₱3,276,035,637	₱3,276,035,637	₱3,276,035,637

On April 29, 2022, 14,560 REDECO shares were converted to WIN shares. As at June 30, 2022, 2021 and 2020, the Parent Company has outstanding shares of 3,271,952,740, 3,271,938,180 and 3,271,938,180, respectively, under its name. Remaining unconverted shares under REDECO as at June 30, 2022, 2021 and 2020, is 4,092,897, 4,107,457 and 4,107,457, respectively. Outstanding shares owned by the public as at June 30, 2022, 2021 and 2020, is 1,413,536,408, 1,413,467,370 and 1,413,467,270, respectively.

Track record of registration of securities
The Parent Company was originally registered as REDECO with the SEC on October 19, 1956. The Parent Company was listed with the PSE on January 9, 1958 with an initial registered 200,000,000 shares.

On May 25, 1995, the BOD and stockholders approved a reverse stock split and a subsequent increase in the authorized capital stock in line with its recapitalization program. Accordingly, on November 15, 1995, the Parent Company filed with the SEC a motion to effect a 1-for-5 reverse stock split which decreased its authorized capital from ₱75 million divided into 75 million shares to₱15 million divided into 15 million shares, both with a par value of P1 per share. It was approved by the SEC on January 15, 1996. This was also done in order to recall all outstanding stock certificates and be able to account for the over-issuance of shares which management has decided to be absorbed by the Parent Company.

On January 8, 1996, the Parent Company filed with the SEC a motion to increase its authorized capital stock from ₱15 million divided into 15 million shares to ₱1 billion divided into 1 billion shares with a par value of P1. The increase was approved by the SEC on May 16, 1996. Subscriptions to the increase in authorized capital stock were made through stocks-for-assets swap.

On September 2, 1996, the Board of Directors and the stockholders approved a resolution to amend the Parent Company's Articles of Incorporation changing the par value per share of its capital stock from ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing the authorized capital stock from ₱500 million divided by 50 billion shares with a par value of ₱0.01 per share to ₱2.0 billion divided into 2.0 billion shares with a par value of ₱1.00 per share. The proposed amendments were approved by the SEC on September 27, 1996.

Relative to the approval of the proposed amendment, any part of such stock or other securities may, at any time, be issued, optioned for sale and sold or disposed of by the Parent Company pursuant to resolution of the Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Parent Company's authorized capital stock from ₱2.0 billion to ₱3.5 billion divided into 3.5 billion shares with a par value of ₱1.00 per share. On March 11, 1998, the SEC approved the increase in the Parent Company's authorized capital stock.

Treasury shares
Treasury shares represent 29,486,633 Parent Company's shares of stock acquired by Rexlon Industrial Corp. (RIC), a wholly owned subsidiary of PCIC, in prior years. In 2007 and 2009, RIC sold 13,000,000 and 16,476,633 shares of the Parent Company to a third party.

14. DIRECT COSTS AND EXPENSES

Direct costs and expenses for the quarters ended June 30 are as follows:

	2022		2021	
	Apr-Jun	**Jan-Jun**	**Apr-Jun**	**Jan-Jun**
Security services	**₱1,001,809**	**₱2,003,619**	₱-	₱-
Depreciation	**766,397**	**1,532,794**	766,397	1,532,794
Property taxes	**999,264**	**2,499,801**	-	-
Repairs and maintenance	**-**	**-**	1,299,011	1,678,263
	₱2,767,470	**₱6,036,215**	₱2,065,408	₱3,211,057

15. OPERATING EXPENSES

Operating expenses for the quarters ended June 30 are as follows:

	2022		2021	
	Apr-Jun	**Jan-Jun**	**Apr-Jun**	**Jan-Jun**
Depreciation	**₱212,947**	**₱425,894**	₱301,557	₱825,258
Professional fees	**1,161,250**	**2,747,052**	875,000	6,337,984
Salaries and wages	**980,313**	**2,400,251**	892,949	1,802,094
Taxes and licenses	**979,254**	**1,569,398**	2,610,859	3,241,963
Rent, light and water	**493,283**	**1,386,250**	385,502	1,100,000
Commission	**148,619**	**1,013,734**	92,491	686,221
Others	**811,764**	**171,164**	1,741,575	127,016
SSS, Medicare and EC contributions	**89,530**	**296,527**	55,152	293,375
	₱4,876,960	**₱10,010,270**	₱6,955,085	₱14,413,911

16. <u>OTHER INCOME/(LOSS)</u> – net

Other income for the quarter ended June 30 is as follows:

	2022		2021	
	Apr-Jun	**Jan-Jun**	**Apr-Jun**	**Jan-Jun**
Interest income	**₱3,366**	**₱5,649**	₱7,209	₱12,530
Miscellaneous income	**80,357**	**161,094**	78,962	160,714
Interest Expense	**(15,798)**	**(33,758)**	(24,152)	(41,350)
Penalties and Surcharges	**-**	**-**	-	(757,247)
	₱67,925	**₱132,985**	₱62,019	(₱625,353)

17. <u>RETIREMENT BENEFITS OBLIGATION</u>

The Group adopted Republic Act No. 7641 as its arrangement to provide retirement benefits to all its regular employees. In case of retirement, employees shall be entitled to receive such retirement benefits as may have been earned under the existing laws.

The movements in the defined benefit obligation recognized and presented as accrued retirement benefit obligation in the consolidated statement of financial position are as follows:

	2022	2021	2020
Balance at beginning of year	**₱792,300**	₱750,600	₱708,900
Retirement provision	–	–	–
Balance at end of year	**₱792,300**	₱750,600	₱708,900

The provision for retirement benefits in 2022, 2021 and 2020 were included under salaries, wages and employees benefit in the consolidated statements of comprehensive income. Management believes that the defined benefit obligation computed using the provisions of R.A 7641 is not materially different with the amount computed using the projected unit credit method as required under PAS 19, Employee Benefits.

18. <u>RELATED PARTY TRANSACTIONS</u>

The Group, in the normal course of business, has transactions with related parties. The specific relationships, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement are shown below as at June 30.

Category	**Amount/Volume**		**Outstanding Receivable**		**Terms and Condition**
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021	
Receivable from related parties with common key management					
Philippine Estates Corp. (PHES)	**₱-**	₱-	**₱10,897,335**	₱10,897,335	(a)
Genwire Manufacturing Corp. (GMC)	**-**	-	**318,506**	318,506	(b)
	₱-	₱-	**₱11,215,841**	₱11,215,841	

Category	**Amount/Volume**		**Outstanding Receivable**		**Terms and Condition**
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021	
Advances to related parties with common key management					
Polymax Worldwide Limited (PWL)	**₱-**	**₱-**	**₱105,060,000**	₱105,060,000	(c)
The Wellex Group, Inc. (TWGI)	**(2,401,856)**	**(1,510,232)**	**48,439,401**	51,395,211	(c)
Concept Moulding Corp. (CMC)	**-**	**-**	**5,784,759**	4,974,259	(c)
	(2,401,856)	(1,510,232)	**159,284,160**	161,429,470	
Allowance for impairment	-	-	**(132,103,302)**	(133,293,374)	
	(₱2,401,856)	(₱1,510,232)	**₱27,180,858**	₱28,136,096	

Category	Amount/Volume		Outstanding Payable		Terms and Condition
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**	
Advances from related parties with common key management					
Diamond Stainless Corp. (DSC)	**₱-**	₱-	**₱70,557,799**	₱93,745,170	(d)
Plastic City Corp. (PCC)	**6,398,535**	6,659,310	**88,864,399**	88,864,399	(d)
International Polymer Corp. (IPC)	**582,634**	536,837	**24,642,300**	24,642,300	(d)
Philippine Estates Corp. (PHES)	**-**	-	**36,615,524**	31,573,224	(e)
Kenstar Industrial Corp. (KIC)	**-**	-	**23,539,858**	23,539,858	(d)
Rexlon Realty Corp. (RRC)	**-**	-	**23,187,370**	-	(d)
Pacific Rehouse Corp. (PRC)	**-**	-	**15,540,753**	15,540,753	(d)
Polymaster Industrial Corp	**-**	-	**62,500**	-	(d)
Ropeman Int'l Corp.	**-**	-	**3,202,528**	3,202,528	(d)
	6,981,169	7,196,147	**286,213,031**	281,108,231	
Advances from stockholders/ key management					
Key management and officers	**-**	62,500	**147,950,629**	158,181,293	(f)
	₱6,981,169	₱7,258,647	**₱434,163,660**	₱439,289,524	

(a) Receivable from venture

The Group has outstanding receivable from PHES pertaining to the Group's share in the proceeds of the lot sold in 2015 held as interest in joint venture (Note 9). This receivable is unsecured, unguaranteed and to be settled in cash.

(b) Receivable from related parties with common key management

The Group pays operating expenses on behalf of GMC. These receivables are normally collected the following year, unsecured, non-interest bearing and with no guarantee. The Group has also made offsetting arrangements to settle intercompany receivables and payables.

(c) Advances to related parties with common key management

PWL
On November 24, 2009, Philippine Veterans Bank foreclosed land to secure payment of loan of an affiliate amounting to ₱88.8 million by virtue of the real estate mortgage, executed by the Group. The property was sold at an auction to the highest bidder Philippine Veterans Bank which tendered an amount of ₱71.326 million.

The Group recognized advances to PWL of ₱105.1 million for the value of the land foreclosed to settle the affiliate loan with the bank.

The advances are unsecured, with no definite terms of repayment and with no guarantee and to be settled in cash.

TWGI
On December 16, 2020, TWGI issued promissory note amounting to ₱46,578,262 for five years maturing December 15, 2025 and bear an interest of 2% per annum. Interest income earned amounted to ₱931,565 and ₱38,723 at the end of year December 2021 and 2020 (see Note 16).

To settle the outstanding advances, the Group entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Group entered into a Consultancy Agreement with TWGI from May 1, 2016 to April 30, 2018. The contract has been renewed thrice since then and is currently valid until April 30, 2024. Total consultancy fees incurred for the quarters ended June 30, 2022 and 2021, amounted to ₱120,000.

- Lease Agreement for the Group's office space for a monthly rental of ₱20,000, utilities of ₱5,000, and storage fee of ₱1,000 from May 1, 2016 to April 30, 2018. The Agreement was renewed for another two (2) years thrice until April 30, 2024. Total rent expense and utilities amounted to ₱37,500 and ₱18,000, respectively, for the quarters ended June 30, 2022 and 2021.

The present value of the lease liability as at June 30 is as follows:

	2022	2021
Current	**₱41,806**	₱118,567
Non-current	**-**	41,806
	₱41,806	₱160,373

The net carrying amount of the right-of-use assets recognized as at June 30, 2021 and 2020 is disclosed in Note 10.

CMC
The Group provided non-interest bearing and unguaranteed advances to CMC for working capital requirements. The advances are unsecured, with no definite terms of repayment and with no guarantee.

Certain advances to related parties were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized (Note 22).

The movement in the allowance for ECL is as follows:

	2022	2021
Balance at beginning of year, as previously reported	**₱132,103,302**	₱133,293,374
Effect on adoption of PFRS 9	**-**	-
Balance at beginning of year, as restated	**132,103,302**	133,293,374
Provisions for ECL	**-**	-
At end of year	**₱132,103,302**	₱133,293,374

(d) Advances from related parties

In prior years, the Group obtained unguaranteed and non-interest-bearing cash advances from related parties intended to finance its operating expenses, capital expenditures and payment of outstanding obligations. The Group has not made any arrangement for the terms, security and guarantee on the advances as the subsidiaries has ceased its manufacturing operations. The advances are payable in cash upon settlement depending on the availability of funds. The Group, however, looks into the possibility of offsetting arrangements to settlement the obligation.

(e) PHES

In 2009, the Group and PHES executed unsecured promissory note (PN) for the advances from PHES with a term of five (5) years, and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. This PN was renewed in 2014 with a three-year term which matured during the year with an interest of two percent (2%) per annum. This cash advance is to be settled through cash payments. On December 21, 2018, the PN was renewed for another three (3) years and will mature on 2021.

(f) Advances from key management

The Group obtains non-interest bearing and unsecured advances from stockholders and key officers for working capital purposes. The advances have no guarantee and definite terms of repayment. Payment will depend on the availability of funds. This amount is payable in cash upon settlement.

(g) Remuneration of key management personnel

Directors' fees for the quarters ended June 30, 2022 and 2021 is NIL.

With the cessation of the subsidiaries operations in prior years and the Group is in tight cash position, management decided to suspend any form of compensation to key management and officers effective in 2004.

19. LEASES

The Group entered into lease contracts with various tenants for the rental of the Group's warehouse and building facilities. The lease term ranges from three (3) months to one (1) year and is renewable under such terms and conditions as the parties may agree, provided that at least ninety (90) days prior to the expiration of the lease period, the lessee shall inform the lessor in writing of his desire to renew the lease.

Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages.

Outstanding advances from lessee amounted to ₱6,434,990 and ₱6,230,912 as at June 30, 2022 and 2021, respectively. Deferred rental income relative to the lease amounted to ₱3,131,517 as at June 30, 2022 and ₱1,464,797 as at June 30, 2021 as shown under "Accounts payable and other liabilities" account (Note 11).

Outstanding balance of receivable from tenants as at June, 2022 and 2021 amounted to ₱3,506,948 and ₱7,437,080, respectively (Note 5). Total rental income is ₱5,078,105 and ₱6,770,051 in the quarter of June 30, 2022 and 2021, respectively.

20. INCOME/(LOSS) PER SHARE

The following table presents information necessary to calculate the loss per share for quarter ended June 30:

	2022	2021	2020
Consolidated net loss for the quarter	**(₱2,498,401)**	(₱2,983,864)	(₱3,453,031)
Weighted average number of common shares outstanding during the quarter	**3,276,045,637**	3,276,045,637	3,276,045,637
Loss per share	**(₱0.0008)**	(₱0.0009)	(₱0.0011)

21. CONTINGENCIES

Commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group are not reflected in the accompanying Group financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Group financial statements.

A. *G.R. No. 249337 entitled, "WATERFRONT PHILIPPINES, INC. (WPI), WELLEX INDUSTRIES, INC. (WII), AND THE WELLEX GROUP, INC. (TWGI) vs. SOCIAL SECURITY SYSTEM (SSS)", pending before the Supreme Court*

On September 7, 1999, the Board of Directors approved the execution of a third-party real estate mortgage on the Group's properties located in Quezon City with an actual area of 6,678 square meters to secure the loan of Waterfront Philippines, Incorporated (WPI), an affiliate, with the Social Security System (SSS) amounting to ₱375 million. In 2003, SSS foreclosed the asset mortgaged in the amount of ₱198,639,000.

The Group filed a civil case against SSS on the foreclosed property claiming for sum of money and damages in the amount of ₱500 million. On January 12, 2015, the contract of loan and real estate mortgage were declared null and void by the RTC. Thus, WPI was directed to return the amount of ₱375 million to SSS and for SSS to return the properties and shares used as collateral. SSS filed an appeal to the Court of Appeals.

On August 30, 2019, the Court of Appeals issued its Decision reversing the RTC's Decision dated January 13, 2015 and Order dated May 11, 2015. The CA declared that the October 28, 1999 "'Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock'' and the extra judicial foreclosure sale of the Green Meadows properties covered by Transfer Certificate of Title Nos. N-153395 and N-153396 are valid.

The CA ordered WPI to satisfy the deficiency under the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" in the sum of ₱841,567,136.85 due to SSS as of April 30, 2010. This obligation shall earn the stipulated interest and penalty charges, in accordance with the terms and conditions of the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock", computed from April 30, 2010 until finality of the Decision.

On October 4, 2019, WPI filed a Petition for Review on Certiorari before the Supreme Court (SC). The SC in its decision dated July 6, 2021 granted the petition and the CA's Decision dated August 30, 2019 was reversed and set aside. SSS filed its Motion for Reconsideration dated January 28, 2022 praying for the dismissal of WPI's Petition for Certiorari. On February 2, 2022, the Office of the Solicitor General filed a Manifestation stating that it filed/served by electronic means its Motion for Reconsideration due to the physical closure of its offices as a result of the Covid-19 pandemic.

On 04 May 2022, WPI, et al., filed a Comment to Respondent's Motion for Reconsideration with Motion to Admit. As of now, no decision has been rendered by the SC.

B. *Wellex Industries, Inc. (formerly known as Republic Resources and Development Corporation) v. Macquarie Green Properties, Inc., et al., Civil Case No. 3185-19 SM (For: Annulment of Public Auction Sale, Reconveyance, Cancellation and Reinstatement of Title and Damages), Regional Trial Court (RTC), Branch 75, San Mateo, Rizal*

On June 24, 2019, the Group filed a civil case for annulment of public auction reconveyance, cancellation and reinstatement of title and damages with the Regional Trial Court of San Mateo Rizal (RTC). The complaint filed was dismissed by the RTC through the Resolution dated October 30, 2019 for failure of the Group to pay the full jurisdictional amount. The Group filed Motion for Reconsideration arguing that it was ready and willing to pay the full jurisdictional amount had the Office of the Clerk of Court (OCC) made the proper assessment, which was its duty and in which assessment plaintiff merely relied on. The Group also argues that the rule on the payment of docket fees should apply by analogy since the deposit required is also a jurisdictional amount and, accordingly, should be given time to pay the deposit upon reassessment by the OCC. On February 10, 2020, the Motion for Reconsideration was dismissed for lack of merit.

On March 13, 2020, the case was escalated to the Supreme Court by filing a Petition for Review on Certiorari with the grounds that the RTC resolved the case in a way not in accord with the law and with the applicable decisions of the Supreme Court. Instead of dismissing the instant case, the RTC should have directed the Office of the Clerk of Court to assess the deposit, or the petitioner to make the correct deposit, required under Section 267 of R.A. 7160, consistent with the rule on the payment of jurisdictional amounts. On September 2, 2020, the Supreme Court denies the Petition for Review on Certiorari.

On October 27, 2020, the Group asked the Supreme Court to consider the Resolution promulgated on September 2, 2020 and to issue another reversing and setting aside the resolution dated October 30, 2019, and the resolution dated February 10, 2020 issued by the RTC, and directing the office of the clerk of Court of the RTC of San Mateo, Rizal to assess the filing fees and the amount of deposit and interest that should be paid by petitioner, and directing the RTC, Branch 75 of San Mateo, Rizal to reinstate the instant case. On March 11, 2021, the Group received the notice from the Supreme Court dated January 25, 2021, denying the Motion for Reconsideration but before the Group can refile the case with the RTC, the Group received an offer from certain individuals to assume the above subject properties on an as-is-where-is basis on an exchange for their properties near the same location. The estimated values of the swapped properties are approximately the same. In order to avoid additional costs of a lengthy court dispute, the BOD has decided to accept the offer of asset swap in a special meeting held on December 17, 2021.

On February 23, 2022, the Group and certain individuals entered into a Memorandum of Agreement whereby both parties have voluntarily agreed, by and between themselves, to exchange their respective properties, on as-is-where-is basis. Documentation is currently in process.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group's risk management is coordinated with the Board of Directors and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Group is exposed to are described below:

Credit risk
Credit risk refers to the risk that a counterparty will default its contractual obligation resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its financial assets which composed of cash, trade and other receivables, instalment contract receivables and advances to related parties.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, as summarized below:

Credit risk exposure
The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount financial assets recognized in the consolidated statements of financial position.

In order to minimize credit risk, the Group has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECLs	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECS	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL- not credit impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL- not credit impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL- not credit impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL- not credit impaired	25%	12%	2
In default	Amount is over 1-2 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL- credit impaired	50%	15%	3
	Amount is over 2-3 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL- credit impaired	100%	15%	3
	Amount is over 3-5 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL- credit impaired	100%	50%	3

Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below as at June 30:

		Basis of recognizing ECL	2022	2021
Cash, excluding cash on hand	(a)		**₱5,980,739**	₱6,111,662
Trade and other receivables, at net amount	(b)	Lifetime ECL	**35,536,864**	43,980,153
Advances to related parties, at net amount	(c)	Lifetime ECL	**27,180,858**	28,136,096
			₱68,698,461	₱78,227,911

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Trade and other receivables and advances to related parties

Trade and other receivables

Credit risk arising from rental income from leasing of buildings is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants.

For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

The Group has applied simplified approach to measure the loss allowance using management's adopted policy on ECL on trade and other receivables.

Advances to related parties

For advances to related parties, the Group has applied the general approach to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

To measure the ECL, trade and other receivables, and advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade and other receivables, and advances to related parties are a reasonable approximation of the loss rates for the financial assets.

The management continues to review trade and other receivables and advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of third parties and related parties that have not paid for a long time and for which the Group believes that a portion of the receivables may not be collected. The allowance is estimated based on the Group's estimate for accounts which it believes may no longer be collected.

Equity Price risk

Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Group's exposure to equity price risk arises from investments held by the Group and classified in the Group's consolidated statements of financial position as financial asset at FVOCI.

Equity instruments designated at FVOCI in unquoted price are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Liquidity risk
The Group's policy is to maintain a balance between continuity of funding through cash advances from related parties.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table below has been drawn up based on undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay.

June 30, 2022	**With indefinite term of maturity**	**With definite term of maturity**		**Total**
		Due within one year	**More than one year**	
Accounts payable and other liabilities – excluding government liabilities	**₱-**	**₱8,211,465**	**₱-**	**8,211,465**
Advances from related parties	**434,163,660**	**-**	**-**	**434,163,660**
Advances from lessees	**-**	**6,434,990**	**-**	**6,434,990**
	₱434,163,660	**₱14,646,455**	**₱-**	**448,810,115**

June 30, 2021	With indefinite term of maturity	With definite term of maturity		Total
		Due within one year	More than one year	
Accounts payable and other liabilities – excluding government liabilities	₱-	₱6,646,880	₱-	₱6,646,880
Advances from related parties	439,289,524	-	-	439,289,524
Advances from lessees	-	6,230,912	-	6,230,912
	₱439,289,524	₱12,877,792	₱-	₱452,167,316

Substantial portion of the Group's financial liabilities consist of advances from related parties. There are no specific terms of advances agreed with the related parties. The Group does not expect to pay its liabilities nor expect related parties to collect within twelve (12) months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

23. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for stockholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as share capital and deficit for the purpose of capital management.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accounts payables and other liabilities, advances from related parties as shown in the consolidated statements of financial position) less cash. Total capital is calculated as Equity as shown in the consolidated statement of financial position plus Net debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Group's activities are funded by owner's funds versus creditor's fund.

During the second quarter of 2022, the Group's strategy, which was unchanged from 2021, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at June were as follows:

	2022	2021
Gross debt	**₱450,921,604**	₱454,665,115
Cash	**(6,000,739)**	(6,131,662)
Net debt	**444,920,866**	448,533,452
Total equity	**1,196,885,758**	1,201,470,671
Total capital	**₱1,641,806,624**	₱1,650,004,123
Gearing ratio	**27.10%**	27.18%

The status of the Group's operation and management plan is fully disclosed in Note 1.

The Parent Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at June 30, 2022 and 2021, the Parent Company is in compliance with this externally imposed capital requirement.

On the other hand, the Parent Company's subsidiaries are not subject to any externally imposed capital requirements.

24. FAIR VALUE INFORMATION

Assets and liabilities not measured at fair value

The methods and assumptions used by the Group in estimating the fair value of the financial instruments is as follows:

(a) The fair values of advances to related parties and advances from related parties are determined based on the discounted value of future cash flows using the prevailing PH BVAL rates that are specific to the tenor of the instruments" cash flow as at reporting date. Discount rates used is 1.71% in 2021 and 3.42% in 2020.

(b) The fair value was determined by reference to market transactions on arm's length terms using the cost and market data or direct sales comparison approach at the time of appraisal.

The fair value of cash, trade and other receivables, instalment contract receivable, accounts payable and other liabilities, lease liability and advances from lessee's approximate carrying value due to relatively short-term maturities.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation about the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes for the years ended June 30 are as follows:

	Balance as at January 1, 2022	**Changes from financing cash flows**	**Balance as at June 30, 2022**
Advances from related parties	**₱440,905,301**	**(₱6,741,641)**	**₱434,163,660**
Borrowings	**788,993**	**(183,526)**	**605,467**
Lease liability	**41,806**	**0**	**41,806**
	₱441,736,100	**(₱6,925,167)**	**₱434,810,933**

	Balance as at January 1, 2021	Changes from financing cash flows	Balance as at June 30, 2021
Advances from related parties	₱445,816,188	(₱6,526,664)	₱439,289,524
Borrowings	1,103,787	(139,720)	964,067
Lease liability	160,373	-	160,373
	₱447,080,348	(₱6,666,384)	₱440,413,964

26. EVENTS AFTER REPORTING PERIOD

On January 27, 2021, The Philippine Interpretations Committee (PIC) has released PIC Q&A 2020-07, PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the CREATE Bill. Under the PIC Q&A 2020-07, the CREATE Bill is not considered substantively enacted as at December 31, 2020, given the following circumstances as of said date:

a. Congress as the legislative body and the President representing the executive body of the Government are separate and independent from each other;
b. The bill is still pending with the bicameral committee of Congress and consequently not yet submitted to the President of the Philippines;
c. Upon submission to the President of the Philippines, he may either approve it or exercise his veto power to stop the enactment of the bill;
d. In case the bill is vetoed by the President, Congress may not be able to garner the required two-thirds vote to overturn the presidential veto.

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 Group are as follow:

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

27. RECLASSIFICATION

Certain accounts in June 30, 2022 unconsolidated financial statements were reclassified to conform to the current year’s presentation.

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WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS

	30-Jun 2022	30-Jun 2021	31-Dec 2021
Profitability ratios:			
Return on assets	**Nil**	Nil	Nil
Return on equity	**Nil**	Nil	Nil
Net profit margin	**Nil**	Nil	Nil
Gross profit margin	**0.39:1**	0.77:1	0.21:1
Solvency and liquidity ratios:			
Current ratio	**6.52:1**	8.71:1	5.06:1
Debt to equity ratio	**0.38:1**	0.38:1	0.38:1
Financial leverage ratios:			
Asset to equity ratio	**1.38:1**	1.38:1	1.38:1
Debt to asset ratio	**0.27**	0.27:1	0.27:1
Interest rate coverage ratio	**Nil**	Nil	Nil

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
APPENDIX B – ACCOUNTS RECEIVABLE AGING
June 30, 2022

	Current	1-30 days	31-60 days	Over 60 days	Total
Advances to third parties	₱-	₱-	₱-	₱106,829,974	₱106,829,974
Receivable from related parties	-	-	-	11,215,841	11,215,841
Rental receivable	869,816	341,678	336,328	1,959,126	3,506,948
Utilities receivable	233,734	23,114	7,871	4,266	268,985
Others	-	-	-	189,675	189,675
Subtotal	1,103,550	364,791	344,199	120,198,882	122,011,423
Impairment - Advances to affiliates					
Allowance for doubtful accounts					(86,474,558)
Accounts receivable					₱35,536,864