

Re: Wellex Industries Inc_SEC Form 17-A 2022_02May2023

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

To: wellexindustries@yahoo.com

Date: Tuesday, May 2, 2023 at 04:59 PM GMT+8

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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)

Further, 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

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FOR **MC28**, please go to SEC website:

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For your information and guidance.

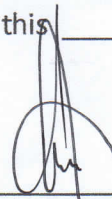
Thank you and keep safe.

Certification

I, Annabelle T. Abunda, Finance and 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 2022 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 APR 28, 2023 day of _____, 2023.



Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this APR 28, 2023 day of 2023, 2023.

ATTY. ELISEO S. ALMA, JR.
NOTARY PUBLIC
Notary Public for Q.C. / Until Dec., 31, 2024
Roll No. 50183

PTR No. 4007172D/Jan. 03, 2023/Q.C.

IBP No. 257225, Jan. 01, 2023

MCLE Comp. No. VII-000692409/21/2021-04/14/2025)

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

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

TIN: 138-541-197-000

Doc No. 131
Page No. 17
Book No. XXXI
Series of 2023

COVER SHEET

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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 F O N E C O R P O R A T E C E N T R E

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

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

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

Amando J. Ponsaran, Jr.

Contact Person

(632) 8706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

1 7 - A

FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles
Number/Section

999

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

Annual Report: WIN

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

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

1. For the Calendar year ended **December 31, 2022**

2. SEC Identification Number: **11790**

3. BIR Tax Identification No.: **003-946-426**

4. **WELLEX INDUSTRIES, INC.**
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 Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig**
Address of principal office

8. **Telephone No. (02) 8706-7888**
Registrant's telephone number, including area code

9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding And Amount of Debt Outstanding</u>
Common 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: ₱325,174,655

14. Not Applicable

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Wellex Industries, Incorporated (the "Parent Company") was incorporated in the Philippines on October 19, 1956 primarily to engage in the business of mining and exploration and was formerly known as Republic Resources and Development Corporation (REDECO).

On February 11, 1995, the SEC approved the Company's amendment in its Articles of Incorporation. The Company changes its primary purpose from mining activities to development operation of all types of business enterprises, including but not limited to enterprises engaged in the business of real estate development. Mining, however, continues to be one of the Company's secondary purposes.

The Parent Company's change in name was approved by the Securities and Exchange Commission (SEC) on September 18, 1997. The Parent Company extended its corporate life for another fifty years up to October 19, 2056 which was approved by the Securities and Exchange Commission (SEC) on July 20, 2007.

On November 20, 2008, the Board of Director and stockholders approved the amendment of its Articles of Incorporation amending the Parent Company's primary purpose. The Parent Company's primary purpose was changed to employment of capital for the purpose of assisting mining enterprises. The Parent Company's secondary purpose, however, remains for operation of all types of business enterprises, such as property holding and development, management, manufacturing, investments and other business. The amendment was approved by the SEC on April 3, 2009.

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

The Parent Company and its subsidiary, Plastic City Industrial Corporation (PCIC) (collectively referred to herein as the "Group"). PCIC has ceased its manufacturing and commercial operations but PCIC subsidiaries continue to lease out their warehouses 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.

Business Development of Subsidiary:

Due to difficult business situation which besieged the plastic manufacturing sector, subsidiary of Wellex Industries namely, Plastic City Industrial Corporation (PCIC) has decided to temporarily cease its manufacturing and commercial operations. The continued losses and cessation of operations were due mainly to scarcity of raw materials, increase in production costs in electricity, power and raw materials coupled with keen competition brought about the influx of imported goods. Due to the cessation of operations, the Group is now concentrating in leasing out its warehouse facilities.

Business of Wellex Industries, Inc.

(i) Principal products and services

Wellex Industries Inc. has a primary purpose of engaging in the business of mining and oil exploration. In prior years, the Company's business of mining and oil exploration was secondary to real estate development. The purpose of the amendment of the primary purpose was essentially to enable the Company to ride the crest of a resurgent mining industry including oil exploration of the country's offshore oil fields. The 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 viable joint venture agreement. For its oil and mineral exploration activities, the 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.

Wellex Industries, Inc. also has investment on its subsidiary, PCIC.

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 has 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 property north of Metro Manila in Valenzuela City. Plastic City is an industrial metropolis in itself.

The PCIC subsidiaries stopped operations in 2002.

(ii) Export Sales

Wellex Industries, Inc. and its subsidiary are not engaged in export sales.

(iii) Distribution Methods of the Products

Since the Parent Company's subsidiary ceased in manufacturing and commercial operations, there are no distributions of products.

(iv) Publicly-announced new product or services

Wellex Industries, Inc. and its subsidiary have no new publicly-announced product or service.

(v) Competition

Since the Parent Company's subsidiary ceased manufacturing and commercial operations and currently focusing on temporarily leasing out its warehouse facilities, the company has limited competitors for warehousing space in Canumay Area, Valenzuela City.

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

Since the Parent Company's subsidiary has ceased in manufacturing and commercial operations, purchases and use of raw materials have stopped.

(vii) Dependence on one or few major customers

Wellex Industries, Inc. and its subsidiary are not dependent on any one industry, company or customers.

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

Since the Parent Company's subsidiary ceased manufacturing and commercial operations, there are no major transactions with related parties save for the disclosures in financial statements.

(ix) Patent, Trademark, Copyright, Franchise, Concession or Royalty Agreement

Wellex Industries, Inc. and its subsidiary are not covered with any patent, trademark, copyright, franchise, concession or royalty agreement.

(x) Government Approval of Principal Products or Services

There is no need for any further government approval on principal products of Wellex Industries, Inc. and its subsidiary. All existing permits and licenses are valid and are renewed upon expiration thereof.

(xi) Effect of Existing or Probable Governmental Regulations on Business

Since the Parent Company's subsidiary ceased manufacturing and commercial operations there are no existing or probable governmental regulations on business.

(xii) Estimate of the Amount Spent During Each Year of the Last Three Calendar Years on Research and Development Activities

There are minimal research and development in Wellex Industries Inc. and its subsidiary.

(xiii) Cost and Effects of Compliance with Environmental Laws

Since the Parent Company's subsidiary ceased in manufacturing and commercial operations, there are minimal cost associated with compliance of environmental laws.

(xiv) Total Number of Fulltime Employees (as of December 31, 2022):

Wellex Industries Inc. and its' subsidiary have eighteen (18) regular employees. There are no Collective Bargaining Agreements (CBA). There has been no strike or any similar threat for the last 3 years; also, there are no supplemental and incentive arrangements with its employees. The number of employees may be increased only upon entry of new investors.

(xv) Major Risk

Since the Parent Company's subsidiary are ceased in manufacturing and commercial operations, there are no major risk forecasted for the company as a whole.

Additional Requirements as to Certain Issues or Issuers

Not Applicable

Item 2. Properties

Description of Properties

The Parent Company has properties in Rodriguez (formerly Montalban), Rizal, with an aggregate cost of ₱52,335,000 as at December 31, 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 December 31, 2022 and 2021 was under litigation (Note 8 of Financial Statements). However, in 2022, the land was swapped with another property which is about the same size and location that was owned by certain individuals.

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.

Properties of the Company's Subsidiary under Plastic City Industrial Corporation are as follows:

LAND

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. None of the stated properties are under any lease contract.

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

Location	Title No.	Area (In Sqm.)
Inland Container Corp. Canumay West, Maysan and Lingunan Valenzuela	T-123319	7,529
	T-152765	9,363
	T-122791	733
	T-122792	5,498
	T-122793	5,328
	T-122794	10,778
	T-122789	691
	T-122790	2,800.5
	V-13207	3,400
	V-13208	3,537
	V-19369	3,400
	T-100259	11,850
	T-100258	11,805
Pacific Plastic Corp. Canumay West, Valenzuela	T-123321	5,598
	T-95577	30,987
	T-111339	8,600
	T-112620	7,841
	T-122795	195
Rexlon Industries Corp. Maysan, Valenzuela	T-109519	469
	T-123520	225
	T-144617	161
	T-120035	240
	T-145177	4,666

Kennex Container Corp. Canumay West, Maysan and Lingunan Valenzuela	T-124652	14,332
	V-6111	23,000
	T-143893	3,870
	T-123303	22,900
	T-123322	2,563
	T-128112	194
	T-126448	4,000
	T-136923	2,000
	T-129796	9,106
	T-152764	19,748
	T-122810	400
	T-122811	813
	T-122812	800
	T-144412	6,132
	T-128111	214
	T-98405	240
T-123439	240	
T-117459	800	

MACHINERY AND EQUIPMENTS

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	
PVC	90 mm YEI – 1		Tahara - 3	
	CMT 58		Tahara – 4	
	CMT 68		Ardor	
	PPI 77		Fongkee	
	PPI 90		55 – 1	
			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 PC - 53 Nissei PC - 54 Nissei PC - 55 Nissei PC - 56 Nissei PC - 57 Nissei PC - 58 Nissei 40 OZ JSW 60 OZ JSW 125 OZ Natco 140 OZ Natco 200 A OZ Nissei 200 B OZ Nissei 260 OZ Natco 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		90 – 2 100 – 1 100 – 2 100 – 3 100 – 4 100 – 5 Aoki 250 LL Aoki 250 LL Aoki 250 LL
		Thermoforming Plant	
		Extrusion	E2 – Wellex E2 – Taiwan E3 – Taiwan
		Thermoforming	T1 – Dipiemme 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 – Osmo P3 – Osmo

BUILDINGS AND GROUND IMPROVEMENTS

Since the company stopped the operation and focused in leasing the warehouses, here are the lists of lessees as of December 31, 2022:

No.	Name of Lessee	Co.	Area	Contract Period	Rental
1	SMYPC - MANILA GLASS PLANT - bldg 22A	ICC	1,134	01/01/22-12/31/22	318,938
2	SMYPC - MANILA GLASS PLANT - bldg 22B	ICC	1,134	01/01/22-12/31/22	318,938
3	CRISTINE GUEVARRA - bldg 34A	ICC	2,000	10/01/22-09/30/23	270,000
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	330,000
6	STA RITA 168 BUILDERS CORP - OPEN SPACE 9	ICC	2,260	02/01/22-01/31/23	305,100
7	ULTIMATE STAR INT'L CARGO SERVICES INC - yard	ICC	750	10/12/22-10/11/23	120,536
8	TRIPLE J and A TRADING INC - Bldg 37	ICC	1,080	12/01/22-11/30/23	115,714
9	ABS ALL BEST SUPPLIES INC - Bldg 37 Yard	ICC	400	12/01/22-11/30/23	19,643
10	OYTANA TRUCKING & LOGISTICS INC - bldg 11 yard	KCC	1,000	06/01/22-05/31/23	165,000
11	SAN MIGUEL BREWERY INC - bldg 23	PPC	3,105	05/01/22 - 04/30/23	831,696
12	SAN MIGUEL BREWERY INC - shipping yard	PPC	1,430	05/01/22 - 04/30/23	236,250
13	SAN MIGUEL BREWERY INC - Bldg 25 open yard	PPC	1,500	04/01/22 - 03/31/23	82,605
14	JHSA CORP - bldg 23 open space	PPC	35	01/01/22 - 12/31/22	15,000
15	GOCHEMBROS CORP - bldg 26	PPC	524	01/01/22 - 12/31/22	147,375
16	FUDSOURCE CORP - bldg 19	PPC	1,050	01/15/22 - 01/15/23	295,313
17	HIGANTIS CONTRACTOR CORP - bldg 18	PPC	698	08/01/22 - 07/31/23	195,238
18	RDB TECSON & ASSOCIATES - bldg 24	PPC	1,476	04/01/22 - 03/31/23	434,893
19	RDBT CONSTRUCTION CORP - bldg 24 open space	PPC	216	04/01/22 - 03/31/23	34,714
20	LACOTA E-COMMERCE CORP. - bldg 29	PPC	882	11/01/22 - 10/31/23	189,000
21	GMA NETWORK INC.	PPC	-	10/13/22 - 10/13/22	65,421

Item 3. Legal Proceedings

- A. *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.*

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 November 4, 2019, the Group together with WPI and TWGI 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 September 21, 2022, the SC issued a resolution denying SSS's Motion for Reconsideration with finality. On December 20, 2022, the SC issued an Entry of Judgment.

- 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 the parties have voluntarily agreed, by and between themselves, to exchange their respective properties, on as-is-where-is basis.

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

There were no matters submitted to a vote of security holders during the calendar year covered.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

		High	Low
2022	First Quarter	0.310	0.215
	Second Quarter	0.300	0.260
	Third Quarter	0.295	0.220
	Fourth Quarter	0.230	0.230
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

The high, low and close price information as of April 28, 2023 (latest practical trading date) was ₱0.240.

Holders

As of December 31, 2022, there are 3,271,952,740 outstanding common shares and 999 stockholders.

Top 20 Stockholders As of December 31, 2022

	STOCKHOLDER'S NAME	NATIONALITY	SUBSCRIBED STOCKS	% TO TOTAL
1	PCD NOMINEE CORP.	FILIPINO	931,005,425	28.454
2	WILLIAM T. GATCHALIAN	FILIPINO	835,000,100	25.520
3	DEE HUA T. GATCHALIAN	FILIPINO	492,962,532	15.066
4	SHERWIN T. GATCHALIAN	FILIPINO	317,750,100	9.711
5	SHINJI KOBAYASHI	FILIPINO	210,650,000	6.438
6	ELVIRA A. TING	FILIPINO	111,850,000	3.418
7	KENNETH T. GATCHALIAN	FILIPINO	100,000,100	3.056
8	THE WELLEX GROUP, INC.	FILIPINO	80,000,000	2.445
9	RECOVERY DEVELOPMENT CORP.	FILIPINO	52,335,090	1.600
10	PACIFIC REHOUSE CORPORATION	FILIPINO	50,000,000	1.528
11	ORIENT PACIFIC CORPORATION	FILIPINO	36,340,000	1.111
12	LI CHIH-HUI	FILIPINO	23,500,000	0.718
13	PCD NOMINEE CORP. (NON-FILIPINO)	OTHERS	12,269,020	0.375
14	WELLEX GLOBAL EQUITIES, INC.	FILIPINO	4,050,000	0.124
15	INTERNATIONAL POLYMER CORP.	FILIPINO	2,700,000	0.083
16	SOLAR SECURITIES, INC.	FILIPINO	2,500,000	0.076
17	RODOLFO S. ETRELLADO	FILIPINO	750,000	0.023
18	PROBITY SEC. MGT. CORP.	FILIPINO	463,200	0.014
19	RICHARD L. RICARDO	FILIPINO	460,000	0.014
20	REGINA CAPITAL DEVELOPMENT CORP.	FILIPINO	300,000	0.009

Dividends

The Parent Company's Articles of Incorporation states that dividends may be declared only out of the unrestricted retained earnings. The Group has declared no cash dividends on its common shares for the previous years. The Group's financial statements as of December 31, 2022 reflect negative retained earnings. Thus, unless the Group's retained earnings position changes, the directors will not be able to legally declare any dividends on its common shares.

Wellex Industries Inc. and its subsidiaries has no restrictions that limit the ability to pay dividends on common equity.

Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt securities.

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

Plan of Operation

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

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

The Group has started to re-study the acquisition of mining companies with existing Mineral Product Service Agreement (MPSA) with the Mines and Geosciences Bureau (MGB) as the government has declared that mining entities will be allowed to renew operations in order to jump-start the economy. 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 Group did not pursue the Agreement with Avida Land Corporation (ALC) for the development of the 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 Group are certain that this shift in character will greatly increase the value of the 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 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 interested 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 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 waning influence of the COVID-19 virus had led to a resurgence of global travel and renewed business interest in the Philippines. Despite the economic turbulence brought about by the war in Ukraine, management is still optimistic that the economy growth is coming soon especially with influx of inquiries by foreign investor groups in the mining and energy sectors.

Management's Discussion and Analysis

Key Performance Indicators

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

1. Revenue Growth – the Group gauge its performances by determining rental income and the number of tenants for the year. For the year ended December 31, 2022, the Group has an average of ₱954,656 rental income per tenant (with 21 areas being leased out) as compared to last year's ₱1,491,110 rental income per tenant (with 16 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, the affiliated companies are responsible in paying the liabilities.

Indicator	2022	2021
Revenue	(35.98%)	4.78%
Receivables (Past Due Ratio)	99.45%	98.65%
Gross Profit Rate	37.33%	60.31%
Working Capital	597.95%	506.36%
Advances Ratio	0.00%	0.00%

For the year 2022, all working capital requirements came from the rental income generated by the subsidiaries and advances from affiliates.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2022 and 2021.

	As of December 31	
	2022	2021
Income Statement		
Rental Income	₱20,047,766	₱23,857,767
Total Expenses	(30,178,804)	(32,995,734)
Loss from Continuing Operations	(10,131,038)	(9,137,967)
Other income (expenses)	9,039,986	6,495,677
Finance cost	(786,928)	(627,426)
Income tax expense – current & deferred	(832,064)	(263,375)
Net Income (Loss) for the year	(2,710,044)	(3,533,091)
Earnings (Loss) Per Share	(0.0008)	(0.0011)

Balance Sheet		
Current Assets	55,710,676	63,388,380
Noncurrent Assets	1,582,311,267	1,594,109,477
Total Assets	1,638,021,943	1,657,497,857
Current liabilities	9,316,980	12,518,447
Noncurrent liabilities	428,555,875	442,120,278
Stockholder's equity	1,200,149,088	1,202,859,132
Total Liabilities & Equity	1,638,021,943	1,657,497,857

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

Total revenues for the year 2022 and 2021 are ₱20.0M and ₱23.9M, 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 ₱3.8M or 15.97%.

Earnings (loss) per share comparisons from year 2022 and 2021 as follows: (₱0.0008) and (₱0.0011) respectively.

Cost and Expenses and Other Income (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 2022 increased by ₱3.1M or 32.69% as compared to last year due to the net effect of lower property taxes paid for the current year by ₱0.9M and higher security services by ₱1.4M, higher repairs and maintenance by ₱2.2M, higher depreciation by ₱0.3M and minimal movements in insurance.

Total operating expenses for 2022 decreased by ₱5.9M or 25.13% with net effect of increase in salaries by ₱0.8M, decrease in taxes and licenses by ₱0.3M, decrease in depreciation by ₱1.0M, increase in communication, light and power by ₱0.1M, decrease in security services by ₱1.0M, decrease in commission by ₱0.1M, decrease in repairs and maintenance by ₱3.7M and decrease in miscellaneous by ₱0.7M and

The Group also reported an other income (loss) amounting to ₱9.0M and ₱6.5M in 2022 and 2021, respectively. Movements in other income/(loss) were mainly due to increase in reversal of ECL for trade and receivables and advances to related parties by ₱2.6M.

CHANGES IN FINANCIAL CONDITION

Current Assets

Cash

The Group's cash in 2022 decrease by ₱0.9 million or 8.92%% as compared to last 2021 due to the following activities: (a) net cash provided in operating activities is ₱1.5 million, (b) net cash provided in investing activities is ₱8.9 million and (c) net cash used in financing activities ₱11.2 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 ₱29.7M and ₱37.3M in 2022 and 2021, respectively. In 2022, trade and other receivables decrease by ₱7.6M or 20.3% due to decrease in trade receivable by ₱10.9M, increase in advances to third parties by ₱0.6M, decrease in rent receivable by ₱2.4M and increase in other receivable by ₱0.04M. Allowance for ECL was also decreased by ₱5.0M due to reversal.

Prepaid expenses and other current assets

Recorded balances of this account is ₱17.2M and ₱16.4M as of December 2022 and 2021, respectively. This account increase by ₱0.8M or 4.64% due to recognition of creditable withholding taxes by ₱0.3M 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, 2022, 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, 2022 and 2021 amounted to ₱25.7 million and ₱30.6 million, respectively. Decrease by ₱4.9 million or 16.05% 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, 2022 and 2021 was under litigation. However, in 2022, the land was swapped with another property which is about the same size and location that was owned by certain individuals. A decreased in the Investment Properties by ₱2.9 million or 0.28% was mainly due to depreciation.

The fair values are based combination of appraisal done by an independent appraiser on various dates in 2022 and using the market approach, in which the fair value is based on prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised asset relative to the market comparable.

The fair values of the land were arrived using the sales comparison approach. The comparative approach, considers the sales of similar or substitute properties and related market data, and establishes a value estimate by process involving comparison. The value of the building and improvements was arrived at using the cost approach. In the cost approach, an estimate is made of the current replacement/reproduction cost, new of the replaceable property in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit, fees and all other attendant costs associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials.

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.

As at December 31, 2022 and 2021, 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 2022 and 2021.

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 2022 and 2021, total property and equipment is ₱1.1M and ₱1.8M or decrease by ₱0.7 million or 39.69% was mainly due additional depreciation and reversal of right-of-use asset which pertains to expired lease contract.

Total depreciation charged to operating expenses amounted to ₱1.0M, ₱1.4M and ₱1.5M in 2022, 2021 and 2020, respectively.

Fully depreciated property and equipment still in use as at December 31, 2022 and 2021 amounted to ₱530.6M

Other Assets

This consists mainly of Refundable Deposits. An amount of ₱0.1M and ₱0.1M was recorded in year 2022 and 2021, 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 2022 and 2021 are ₱5.1M and ₱5.8M, respectively or a decrease by ₱0.6M or 11.18% due mainly to the following: decrease in accounts payable by ₱0.3M and decrease in deferred rental ₱0.4M.

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 ₱3,631,755 and ₱6,327,584 as at December 31, 2022 and 2021, 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 decrease of ₱13.3M or 3.01% was due to payments made to related parties in 2022.

Lease Liability

The present value of lease liability – current amounted to ₱143,349 and ₱41,806 in 2022 and 2021, respectively, or with an increase by 101,543 or 243.89% while the present value of lease liability – noncurrent amounted to ₱48,323 and ₱0 in 2022 and 2021, respectively.

Borrowings

On December 5, 2020, the Group secured a chattel mortgage agreement with a local bank to finance the purchase of delivery trucks. In 2022, the group recorded borrowings – current amounting to ₱0.4M and noncurrent is nil.

(i) Summary of Material Trends, Events and Uncertainties

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 operations 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 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)

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 2022 compared to 2021 decreased by 15.97%. As of December 31, 2022, there are eighteen (18) lessees occupying 21 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, 2022 is 597.95% with current assets of ₱55.7M over ₱9.3M 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 ₱931,565 in 2022 and 2021, 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.

(ix) Financial Risk Disclosure

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 Parent Company 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, 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 are shown on the face of Statements of Financial Position.

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

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 banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by Philippine Deposit Insurance Corporation up to a maximum coverage ₱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 at lifetime 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.

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 Groups exposure to equity price risk arises from investments held by the Group and classified in the Groups 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 the net income before tax for the year ended December 31, 2022 and 2021 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.

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.

(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 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 Group has applied the PFRS 9 starting 2018.

Item 7. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Annual Report.

Other Relevant Information

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.

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.

See attached Notes to Consolidated Financial Statements for a detailed description of the changes in accounting policies and procedures.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure Information on Independent Accountant and other Related Matters

External Audit Fees and Services

Audit and related fees (such as VAT and out of pocket expenses) for Wellex Industries, Inc. and subsidiaries is ₱1,589,728 in 2022 and ₱1,535,520 in 2021 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. Any deficiencies in internal control and detected misstatements and fraudulent or illegal acts are other information given to the attention of the management. Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

Diaz Murillo Dalupan and Company, CPAs (DMDC), upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Aristeo R. Cruz as Chairman and Mr. Sergio Ortiz-Luis, Jr and Mr. Ruben D. Torres as members, was appointed as the 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. 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 from 2014 to 2015, Ms. Rosemary D. De Mesa in 2016 to 2018 and Mr. Richard Noel M. Ponce in 2019-2022.

Changes and disagreements with Accountants on Accounting and Financial Disclosure

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors, including Independent Directors and Executive Officers

There are eleven (11) members of the board, three (3) of whom are independent directors including the Chairman for the year 2022. Names, ages, citizenship and position and office of all directors and executive officers.

Name	Age	Citizenship	Position and Office	Years of Service
Atty. Ruben D. Torres	81	Filipino	Chairman Independent Director	2021 – Present 2018 – 2022
Kenneth T. Gatchalian	47	Filipino	President/CEO	2002 – Present
Elvira A. Ting	62	Filipino	Vice-President	1999 – Present
Richard L. Ricardo	59	Filipino	Treasurer	2011 – Present
Atty. Lamberto B. Mercado, Jr.	58	Filipino	Director	2005 – Present
Atty. Aristeo R. Cruz	56	Filipino	Independent Director	2021 – Present
William T. Gatchalian	74	Filipino	Director	1999 – Present
Sergio R. Ortiz-Luis, Jr.	79	Filipino	Independent Director Director	2016 – 2021 2022 – Present
Omar M. Guinomla	50	Filipino	Director	2011 – Present
Renato C. Francisco	74	Filipino	Independent Director	2021 – Present
Josaias T. Dela Cruz	61	Filipino	Independent Director	2021 – Present
Annabelle T. Abunda	46	Filipino	Compliance Officer Finance Officer	2017 – Present 2022 – Present
Amando J. Ponsaran, Jr.	52	Filipino	Corp. Secretary	2022 – Present

Terms of Office as a Director

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

Business experiences during the past five years and other directorships.

Name and Position	Companies	Position
Atty. Ruben D. Torres Chairman/Director Filipino 81 years old B.A. in Political Science Bachelor of Laws University of the Philippines	Services Exporters Risk Management & Consultancy Co BPO Workers Association of the Phils. Trade Union Congress of the Phils. Torres Caparas Torres Law Offices Waterfront Phils., Inc. Acesite (Phils.) Hotel Corp. Forum Pacific, Inc. Waterfront Manila Premier Dev't., Inc. Alliance Energy Power and Dev't., Inc. Aristocrat Manila City Holdings, Inc. Pacific Concorde Corp. Philippine Estates Corp. Taguig Lake City Dev't. Corp. Wellex Mining Corp. Triton Construction and Dev't. Corp.	Chairman/CEO President VP-International Affairs Senior Partner Director Independent Director Chairman/Director Chairman/Director Chairman/Director President/Director Independent Director Chairman/Director Corp. Treasurer/Director Chairman/Director

<p>Kenneth T. Gatchalian President/ Director Filipino 47 years old B.S. in Architecture <i>University of Texas, USA</i></p>	<p>Forum Pacific, Inc. Waterfront Phils., Inc. Waterfront Manila Premier Dev,t., Inc. Acesite (Phils.) Hotels Corp. Philippine Estates Corp. The Wellex Group, Inc. Metro Alliance Holdings & Equities Corp. Orient Pacific Corp. Wellex Mining Corp. Westland Pacific Properties Corp. Wellex Petroleum, Inc. Recovery Dev't. Corp. Novateknika Land Corp. Pacific Rehouse Corp. Crisanta Realty Dev't. Corp. Palawan Estate Corp. Philippine International Airways Philfoods Asia, Inc. 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.</p>	<p>Treasurer/Director President/Director President/Director President/Director Vice Chairman/Director President/Director President/Director Chairman/President/Director Corp. Treasurer/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Chairman/President/Director Corp. Treasurer/Director Chairman/Director President/Director Chairman/Director Chairman/Director Chairman/Director Chairman/President/Director Corp. Secretary/Director Asst. Corp. Sec./Director Chairman/President/Director Chairman/President/Director President/Director Director Asst. Corp. Sec./Director Chairman/President/Director</p>
<p>Elvira A. Ting Vice-President/Director Filipino 62 years old BS in Business Administration Major in Management Philippine School of Business Administration</p>	<p>Waterfront Philippines, Inc. Forum Pacific, Inc. Acesite (Phils.) Hotel Corp. Metro Alliance Holdings & Equities Corp. Philippine Estates 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. Bocau 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.</p>	<p>Corp. Treasurer/Director President/Director Corp. Treasurer/Director Chairman/Director President/Director Chairman/Director Chairman/President/Director Corp. Treasurer/Director Corp. Treasurer/Director Corp. Treasurer/Director Corp. Secretary/Director Chairman/President/Director Corp. Treasurer/Director Asst. Corp. Sec./Director Chairman/President/Director Asst. Corp. Sec./Director Corp. Treasurer/Director President/ Director President/ Director Chairman/President/Director President/ Director Corp. Treasurer/Director Corp. Secretary/Director President/ Director Chairman/Director President/Director Corp. Treasurer/Director</p>

<p>Richard L. Ricardo Treasurer/Investor Relations Officer/Director Filipino 59 years old B.S. in Business Management A.B. in Economics <i>Ateneo de Manila University</i></p>	<p>Forum Pacific, Inc. Waterfront Philippines, Inc.</p> <p>Acesite (Phils.) Hotel Corp.</p> <p>Metro Alliance Holdings & Equities Corp.</p> <p>Philippine Estates Corp.</p> <p>The Wellex Group, Inc. Rexlon Realty Group, Inc. Westland Pacific Properties Corp. Wellex Petroleum, Inc. Wellex Mining Corp. Bocau Prime Estate Corp. Taguig Lake City Dev't. Corp. Pacific Wide Holdings, Inc. Dubai Gold Mining Corp. Sand Mining & Dev't. Corp. Manila Bay Front Hotels, Inc. Shanghai Global Estate Ventures Corp. Bulacan Country Garden Dev't. Corp. Alliance Energy Power & Dev't. Inc.</p>	<p>Investor Relations Officer/Director Corporate Affairs Officer/Compliance Officer Vice President for Corporate Affairs/Compliance Officer Corp. Treasurer/Investor Relations Officer Corp. Treasurer/Investor Relations Officer/Director Corp. Secretary/Director Vice President/Director Corp. Secretary/Director Corp. Treasurer/Director Assist. Corp. Sec./Director Corp. Secretary/Director Corp. Secretary/Director Corp. Treasurer/Director Chairman/President/Director Corp. Treasurer/Director Corp. Treasurer/Director Corp. Secretary/Director Corp. Secretary/Director President/Director</p>
<p>Atty. Lamberto B. Mercado, Jr. Director Filipino 58 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University</i> School of Law</p>	<p>Asia Healthcare, Inc. FEZ-EAC Holdings, Inc. Forum Pacific, Inc. Acesite (Phils.) Hotels Corp. Metro Alliance Holdings & Equities Corp. Philippine National Construction Corp. Consumer Product Distribution Services Rexlon Realty Group, Inc. Wellex Mining Corp. Southernpec Phils., Inc. Dubai Gold Mining Corp. Sands Mining & Dev't. Corp. Bulacan Harbour Dev't. Corp. Wanda Prime Property Dev't., Inc. Seabrook Resources & Dev't. Corp. Country Garden Agri-Tourism Dev't., Inc. Bulacan Country Garden Dev't. Corp.</p>	<p>Director Director Director Chief Risk Officer/Director Director/Compliance Officer Director Director Assist. Cop. Sec./Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Director Corp. Secretary/Director Director Corp. Secretary/Director President Director</p>
<p>Aristeo R. Cruz Independent Director Filipino 56 years old CPA Lawyer B.S. in Commerce Major in Accountancy <i>De La Salle University</i> Bachelor of Laws (LLB) <i>New Era University</i></p>	<p>Metro Alliance Holdings & Equities Corp. Forum Pacific, Inc. Acesite (Phils.) Hotel Corp. Waterfront Philippines Inc Liberty Bank (A Rural Bank), Inc. Meycauayan College, Inc.</p> <p>Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office) Idealland Realty & Dev't. Corp.</p> <p>Statosphere Realty & Dev't. Corp.</p> <p>Waterstreet Realty Corp. Jose & Luz Locsin Foundation Justino Emilia Realty and Management & Dev't. Corp.</p>	<p>Independent Director Independent Director Independent Director Independent Director Vice-President Vice-Chairman of the Board, Executive Vice-President Founding and Managing Partner</p> <p>President and Chief Operating Officer (COO) President and Chief Operating Officer (COO) President President Corp. Secretary</p>

<p>William T. Gatchalian Director Filipino 74 years old B.S in Management <i>University of the East</i></p>	<p>The Wellex Group, Inc. Wellex Petroleum, Inc. Manila Sands Hotel & Casino, Inc. Bulacan Harbour Dev't. Corp. Philippine International Airways</p>	<p>Chairman/Director Chairman/Director Chairman/Director Chairman/Director Director</p>
<p>Sergio R. Ortiz-Luis, Jr. Director Filipino 79 years old B.S. in Liberal Arts B.S. in Business Administration Master in Business Administration (Candidate) <i>De La Salle University</i> PhD Humanities hc <i>Central Luzon Agricultural College</i> PhD in Business Technology hc <i>Eulegio Rodriguez University</i> PhD Capital Management hc <i>Academy of Multiskills, UK</i> PhD Business Administration hc <i>Angeles University Foundation</i></p>	<p>Forum Pacific, Inc. Philippine Estates Corp. Waterfront Phils., Inc. Acesite (Phils.) Hotel Corp. BA Securities VC Securities Corp.</p> <p>Waterfront Manila Premier Dev't., Inc. 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</p>	<p>Director Director Chairman/Director Director Independent Director Vice-Chairman/Independent Director Director Chairman/Director Chairman/Director Chairman/Treasurer</p> <p>Chairman Chairman Chairman Vice Chairman Vice Chairman Vice Chairman President/CEO President President President Founding Director</p> <p>Director Director Director Director Director Director Director Director Director Director Trustee/Treasurer Consul General Treasurer Honorary Adviser</p> <p>Private Sector Representative Commissioner</p> <p>Member BPLS Champion Director Senate Captain</p>

<p>Omar M. Guinomla Director Filipino 50 years old A.B. Management <i>De La Salle University</i> Master's in Business Administration <i>Ateneo de Manila University</i></p>	<p>Recovery Real Estate Corp. Forum Pacific, Inc. Pacific Rehouse Corp. Orient Pacific Corp. Recovery Dev't. Corp. Philippine International Airways Continental Wire & Cable Corp. Shanghai Resources Corp. Calinan Star Mining, Inc. Dubai Gold Mining Corp. Sands Mining & Dev't. Corp. Manila Bay Front Hotels, Inc. Silverquest Mining Resources Inc. Bulacan Fortune Land Dev't. Corp. Triton Construction & Dev't. Corp.</p>	<p>Director Director Director Assist. Corp. Sec./Director Assist. Corp. Sec./Director Corp. Treasurer/Director Director Chairman/President/Director Director Director Corp. Secretary/Director Corp. Secretary/Director Corp. Treasurer/Director Corp. Secretary/Director Corp. Secretary/Director</p>
<p>Renato C. Francisco Independent Director Filipino 74 years old Bachelor of Laws <i>Ateneo de Manila University</i> B.A. in English and Philosophy <i>San Beda College</i></p>	<p>Forum Pacific Inc Philippine Estates Corp. Acesite (Phils.) Hotel Corp. Waterfront Phil., Inc.</p>	<p>Independent Director Independent Director Independent Director Independent Director</p>
<p>Josaias T. Dela Cruz Independent Director Filipino 61 years old B.S. in Business Management <i>Ateneo de Manila University</i></p>	<p>Forum Pacific, Inc. Philippine Estates Corp. JTDC Spinmeister Laundry Service Wegen Distributed Energy Philippines Holdings Corp.</p>	<p>Independent Director Independent Director Sole Proprietor Treasurer/Vice President for Investor Relations and Financial Planning</p>
<p>Amando J. Ponsaran, Jr. Corporate Secretary Filipino 52 years old BSBA-Finance/Marketing <i>University of San Agustin – Iloilo</i> Bachelor of Laws <i>Arellano Law School/Philippine Christian University</i></p>	<p>Philippine Estates Corp. Corporate Counsels, Phils. Law Offices Forum Pacific, Inc. Consumer Products Distribution Services Inc</p>	<p>Assistant Corporate Secretary Senior Manager – Corporate Services Group Assistant Corporate Secretary Corporate Secretary</p>
<p>Annabelle T. Abunda Finance and Compliance Officer Filipino 46 years old CPA and Licensed Real Estate Broker B.S. in Accountancy <i>University of the Philippines in the Visayas</i></p>	<p>Pacific Rehouse Corp. Pacific Wide Holdings, Inc. Forum Pacific, Inc. Metro Alliance Holdings & Equities Corp.</p>	<p>Finance & Administration Manager Accounting Manager Finance and Compliance Officer Finance Officer</p>

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 paternal relationship between Mr. William T. Gatchalian and Mr. Kenneth T. Gatchalian and Ms. Elvira A. Ting who is a sister in law of Mr. William T. Gatchalian, there are no family relationships among the officers listed.

Involvement in Certain Legal Proceedings

None of the directors and executive officers was involved in certain legal proceedings during the past five (5) years. 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.

Item 10. Executive Compensation

Summary of Compensation Table – Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Atty. Ruben D. Torres <i>Chairman/Director</i>	2022	-	-	10,000
	2021	-	-	10,000
	2020	-	-	10,000
Kenneth T. Gatchalian <i>President/CEO/Director</i>	2022	-	-	-
	2021	-	-	-
	2020	-	-	-
Elvira A. Ting <i>Vice President/Director</i>	2022	-	-	-
	2021	-	-	-
	2020	-	-	-
Richard L. Ricardo <i>Treasurer/Director</i>	2022	-	-	-
	2021	-	-	-
	2020	-	-	-
William T. Gatchalian, Omar M. Guinomla, Atty. Lamberto Mercado, Jr. <i>Directors</i>	2022	-	-	-
	2021	-	-	-
	2020	-	-	-
Sergio R. Ortis-Luis, Jr. <i>Directors</i>	2022	-	-	10,000
	2021	-	-	10,000
	2020	-	-	10,000
Renato C. Francisco, Atty. Aristeo R. Cruz, Josaias T. Dela Cruz <i>Independent Directors</i>	2022	-	-	30,000
	2021	-	-	30,000
	2020	-	-	-

Compensation of Directors

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

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

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

Warrants and Options Outstanding: Repricing

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

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

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, Wellex Industries, Inc., knows no one who beneficially owns in excess of 5% of Wellex Industries, Inc. common stock except as set forth in the table below:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares	Percentage to Total Outstanding Shares
Common	PCD Nominee Corp. 37 th Flr. Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (Stockholders)	No record or beneficial owner owns more than 5% of the issued and outstanding shares	Filipino	931,005,425	28,45%
Common	William T. Gatchalian 35 th Flr. One Corporate Center, Doña Julia Vargas. cor. Meralco Aves., Ortigas Center, Pasig City (Stockholder)	William T. Gatchalian	Filipino	835,000,100	25.52%
Common	Dee Hua T. Gatchalian 35 th Flr. One Corporate Center, Doña Julia Vargas. cor. Meralco Aves., Ortigas Center, Pasig City (Stockholder)	Dee Hua T. Gatchalian	Filipino	492,962,532	15.07%
Common	Sherwin T. Gatchalian 35 th Flr. One Corporate Center, Doña Julia Vargas. cor. Meralco Aves., Ortigas Center, Pasig City (Stockholder)	Sherwin T. Gatchalian	Filipino	317,750,100	9.71%
Common	Shinji Kobayashi c/o The Wellex Group, Inc. 35 th Flr. One Corporate Center, Doña Julia Vargas. cor. Meralco Aves., Ortigas Center, Pasig City (Stockholder)	Shinji Kobayashi	Filipino	210,650,000	6.44%

Security Ownership of Management

As of December 31, 2022 the security ownership of individual directors, executive officers and nominees of Wellex Industries Inc. is as follows:

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

Voting Trust Holders of 5% or More

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

Changes in Control

There is no change in control of Wellex Industries and there is no arrangement, which may result in change control.

Item 12. Certain Relationships and Related Transactions

There is no other material contract to which the registrant or any of its affiliates is a party.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

Part V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Consolidated Financial Statements

- Statement of Management’s Responsibility for Financial Statements
- Report of Independent Public Accountants
- Consolidated Statement of Financial Position as at December 31, 2022 and 2021
- Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2022, 2021 and 2020
- Statements of Changes in Equity for each of the three years ended December 31, 2022, 2021 and 2020
- Consolidated Statements of Cash Flows for each the three years ended December 31, 2022, 2021 and 2020
- Notes to Consolidated Financial Statements

Supplementary Schedules

- 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 Receivables 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

- A. Reconciliation of Retained Earnings Available for Dividend Declaration
- B. Map showing the Relationship between the Company and its Related Entities

Reports on SEC Form 17-C

January 17, 2022

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2021.

February 18, 2022

The Corporation submitted a report of resignation of Atty. Mariel L. Francisco and election of Mr. Amando J. Ponsaran, Jr., as Corporate Secretary.

March 9, 2022

The Corporation submitted the Amended General Information Sheet 2021 to change Corporate Secretary as disclosed also in the Philippine Stock Exchange.

March 25, 2022

The Corporation submitted report of resignation of Atty. Allen F. Geronimo as Assistant Corporate Secretary.

March 29, 2022

The Corporation submitted the Amended General Information Sheet 2021 version 2 to remove Assistant Corporate Secretary who previously resigned as disclosed also in the Philippine Stock Exchange.

April 11, 2022

The Corporation submitted its List of Top 10 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended March 31, 2022.

April 12, 2022

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended March 31, 2022.

May 30, 2022

The Corporation submitted its Integrated Annual Corporate Governance Report for the Year Ended December 31, 2021 which is also disclosed in the Philippine Stock Exchange.

June 16, 2022

The Corporation submitted its Special Form for Financial Statements, both for Parent and Consolidated as of December 31, 2021 as disclosed also in the Philippine Stock Exchange.

July 13, 2022

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2022.

July 13, 2022

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2022.

August 22, 2022

The Corporation submitted its Notice of Annual Stockholders' Meeting on October 4, 2022 to stockholders of record as of September 9, 2022 as approved by the Board of Directors on its meeting with the following agenda:

1. Call to order
2. Certification of Notice and determination of Quorum
3. Approval of Minutes of the Previous Stockholders' Meeting
4. Report to the Stockholders for the Year 2020
5. Ratification of acts of the Board and Management
6. Election of Directors
7. Election of External Auditors
8. Election of External Counsel
9. Other matters
10. Adjournment

The Notice was published in the general circulation (both in print and digital) on September 12 & 13, 2022 through Manila Bulletin and Business Mirror. Annual Stockholders Meeting was held via remote communication

October 4, 2022

The Corporation submitted the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held last October 4, 2022 via remote communication.

October 13, 2022

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended September 30, 2022.

October 17, 2022

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended September 30, 2022.

October 26, 2022

The Corporation submitted General Information Sheet 2022 as disclosed also in the Philippine Stock Exchange.

November 23, 2022

The Corporation submitted copies of directors' and key officers' certificates that attended the Good Corporate Governance Seminar held last November 11, 2022 via remote communication, conducted by the Risks, Opportunities, Assessment and Management (ROAM), Inc. a Corporate Governance training provider accredited by the SEC.

January 11, 2023

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2022.

January 12, 2023

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2022.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on _____.

By:



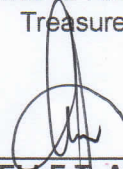
KENNETH T. GATCHALIAN
President



RICHARD L. RICARDO
Treasurer



AMANDO J. PONSARAN, JR.
Corporate Secretary



ANNABELLE T. ABUNDA
Finance and Compliance Officer

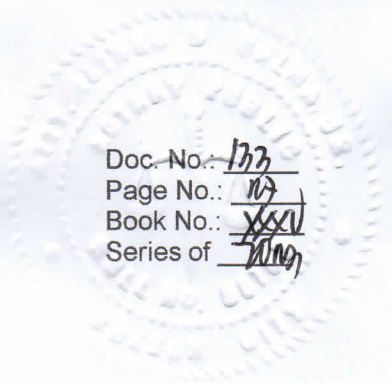
MEZONCIDY SUBSCRIBED AND SWORN to before me this APR 28, 2023 day of _____, in
_____ affiant (s) exhibiting to me their Tax Identification No. as follows:

AFFIANTS

TAX IDENTIFICATION NO.

- 1. Kenneth T. Gatchalian
- 2. Richard L. Ricardo
- 3. Amando J. Ponsaran, Jr.
- 4. Annabelle T. Abunda

- 167-406-526-000
- 140-853-860-000
- 171-798-949-000
- 205-231-659-000



Doc. No.: 133
Page No.: 103
Book No.: 15511
Series of: 1000

ATFY. ELISEO S. CALMA, JR.
Notary Public for Q.C. (Until Dec. 31, 2024)
Roll No. 59183
PTR No. 4007172D/Jan. 03, 2023/Q.C.
IBP No. 257225, Jan. 01, 2023
MCLE Comp. No. VB-0006924(09/21/2021-04/14/2025)
Adm. Matter No. NP-062(2022-2023)
20 Kamagong St., Sapamanai Vill. East Fairview Q.C.
TIN: 138-541-197-000

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	7	9	0															
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COMPANY NAME

W	E	L	L	E	X		I	N	D	U	S	T	R	I	E	S		I	N	C	O	R	P	O	R	A	T	E	D	
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S															

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

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

Form Type

A	A	F	S
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Department requiring the report

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

Secondary License Type, If Applicable

N	A		
---	---	--	--

COMPANY INFORMATION

Company's email Address

wellexindustries@yahoo.com

Company's Telephone Number

8706-7888

Mobile Number

09177904371

No. of Stockholders

999

Annual Meeting (Month/Day)

October/4

Fiscal Year (Month/Day)

December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Amando J. Ponsaran, Jr.

Email Address

ajponsaran@ccplaw.com.ph

Telephone Number/s

8687-7536

Mobile Number

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.

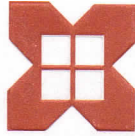
2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its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

***Wellex Industries Incorporated
and Subsidiaries***

*Financial Statements
December 31, 2022 and 2021*

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, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

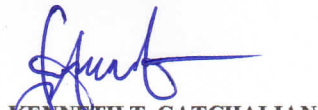
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

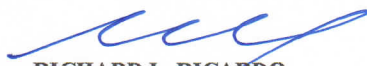
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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 PASIG CITY City/Province, Philippines on APR 14 2023
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: 352
PAGE NO: 72
BOOK NO: 115
SERIES OF: 2573

FERDINAND D. AYAHAO
Notary Public
For Pasig City, Pateros and San Juan City
Appointment No. 108 (2022-2025) valid until 12/31/2023
MCLE Exemption No. VII-RE-086719 valid until 06/30/23
Roll No. 46377; IBP LERN 02458. OR 550000-0000001
TIN 123-011-785; PIR 0161000; 01/00/23; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel. #632-86314000

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, 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 ₱2,100,379,350 and ₱2,097,669,306 as at December 31, 2022 and 2021, 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.

Global Reach, Global Quality

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Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

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 ₱81,472,858 and ₱86,474,558 as at December 31, 2022 and 2021, respectively. Allowance for ECL on advances to related parties amounted to ₱129,010,691 and ₱132,103,302 as at December 31, 2022 and 2021, 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.
- For trade and other receivables, checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used.
- For advances to related parties, recalculated the allowance for ECL based on management assertions and policy of the Group in adopting general approach.
- 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, 2022, 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, 2022 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.1738-A, Group A, effective until March 30, 2025

Tax Identification No. 257-600-228

PTR No. 9573300, January 8, 2023, Makati City

BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2023

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Financial Position

	As at December 31	
	2022	2021
ASSETS		
Current Assets		
Cash - note 4	₱ 8,734,752	₱ 9,589,982
Trade and other receivables (net) - note 5	29,747,227	37,333,705
Prepayments and other current assets - note 6	17,228,697	16,464,693
	55,710,676	63,388,380
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	25,674,564	30,582,214
Investment properties (net) - note 8	1,020,012,613	1,022,906,608
Interest in joint operation (net) - note 9	522,916,369	526,250,284
Property and equipment (net) - note 10	1,063,959	1,764,075
Deferred tax assets (net) - note 19	47,918	10,452
Other assets	95,844	95,844
	1,582,311,267	1,594,109,477
TOTAL ASSETS	₱ 1,638,021,943	₱ 1,657,497,857
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 11	₱ 5,119,478	₱ 5,763,830
Advances from lessees - note 22	3,631,755	6,327,584
Lease liability - note 20	143,349	41,806
Borrowings - note 12	413,082	375,911
Income tax payable	9,316	9,316
	9,316,980	12,518,447
Noncurrent Liabilities		
Advances from related parties - note 20	427,626,039	440,905,301
Borrowings (net of current portion) - note 12	—	413,082
Retirement benefits obligation - note 18	834,000	792,300
Lease liability (net of current portion) - note 20	48,323	—
Deferred tax liability - note 19	47,513	9,595
	428,555,875	442,120,278
	437,872,855	454,638,725
Equity		
Capital stock - note 13	3,276,045,637	3,276,045,637
Additional paid-in capital	24,492,801	24,492,801
Deficit	(2,100,379,350)	(2,097,669,306)
	1,200,159,088	1,202,869,132
Treasury stock - note 13	(10,000)	(10,000)
	1,200,149,088	1,202,859,132
TOTAL LIABILITIES AND EQUITY	₱ 1,638,021,943	₱ 1,657,497,857

(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

	2022	2021	2020
RENTAL INCOME - notes 8 and 22	₱ 20,047,766	₱ 23,857,767	₱ 29,882,741
DIRECT COSTS AND EXPENSES - note 14	12,564,846	9,469,159	13,024,194
GROSS INCOME	7,482,920	14,388,608	16,858,547
OPERATING EXPENSES - note 15	17,613,958	23,526,575	23,262,437
LOSS FROM OPERATIONS	(10,131,038)	(9,137,967)	(6,403,890)
OTHER INCOME (LOSS) - note 16	9,039,986	6,495,677	46,313,121
FINANCE COSTS - note 17	(786,928)	(627,426)	(593,916)
INCOME (LOSS) BEFORE INCOME TAX	(1,877,980)	(3,269,716)	39,315,315
PROVISION FOR INCOME TAX - note 19			
Current	(1,058,506)	(262,177)	(3,473,369)
Deferred	226,442	(1,198)	863.00
	(832,064)	(263,375)	(3,472,506)
NET INCOME (LOSS) FOR THE YEAR	(₱ 2,710,044)	(₱ 3,533,091)	₱ 35,842,809
EARNINGS (LOSS) PER SHARE - note 24	(₱ 0.0008)	(₱ 0.0011)	₱ 0.0109

(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 13)	Total
Balance at January 1, 2020	₱ 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
Net loss for the year	–	–	(2,710,044)	–	(2,710,044)
Balance at December 31, 2022	₱ 3,276,045,637	₱ 24,492,801	(₱2,100,379,350)	(₱ 10,000)	₱ 1,200,149,088

(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		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax	(₱ 1,877,980)	(₱ 3,269,716)	₱ 39,315,315
Adjustments for:			
Depreciation - notes 8 and 10	3,879,188	4,445,996	4,580,059
Provision for (reversal of) ECL on:			
Trade and other receivables - note 5	(5,001,700)	(4,351,142)	155,424
Advances to related parties - note 20	(3,092,611)	(1,190,071)	(2,168,410)
Provision for retirement benefits - note 18	41,700	41,700	41,700
Finance costs - note 17	786,928	627,426	593,916
Write-off of other assets - note 16	-	-	85,000
Interest income - notes 4 and 20	(945,675)	(955,514)	(44,939)
Gain on sale of investment properties - note 8	-	-	(46,704,100)
Operating loss before working capital changes	(6,210,150)	(4,651,321)	(4,146,035)
Decrease (increase) in:			
Trade and other receivables	12,588,178	8,677,795	1,883,810
Prepayments and other current assets	(764,004)	(1,774,893)	(517,385)
Increase (decrease) in:			
Accounts payable and other liabilities	(644,352)	559,199	45,765
Advances from lessees	(2,695,829)	27,103	107,496
Net cash generated from (used in) operations	2,273,843	2,837,883	(2,626,349)
Interest received - note 4	14,110	23,949	6,216
Income tax paid	(831,612)	(672,469)	(3,053,761)
Net cash provided by (used in) operating activities	1,456,341	2,189,363	(5,673,894)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties	8,931,826	1,184,749	2,963,591
Proceeds from sale of investment properties - note 8	-	-	56,270,000
Additions to property and equipment - note 10	-	(631,890)	(1,923,475)
Net cash provided by investing activities	8,931,826	552,859	57,310,116
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of advances from related parties	(10,658,829)	(8,757,235)	(48,151,366)
Payment of lease liability	(150,000)	(150,000)	(150,000)
Payment of borrowings	(375,911)	(314,794)	-
Finance cost paid	(58,657)	(83,560)	-
Proceeds from borrowings - note 12	-	-	1,103,787
Net cash used in financing activities	(11,243,397)	(9,305,589)	(47,197,579)
NET INCREASE (DECREASE) IN CASH	(855,230)	(6,563,367)	4,438,643
CASH - note 4			
At beginning of year	9,589,982	16,153,349	11,714,706
At end of year	₱ 8,734,752	₱ 9,589,982	₱ 16,153,349

(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, 2022 and 2021 and for each of the three years
in the period ended December 31, 2022

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, 2022, including its comparatives for 2021 and 2020, were authorized and approved for issue by the Board of Directors (BOD) of the Parent Company on April 12, 2023.

Status of Operations and Management Plans

For the year ended December 31, 2022 and 2021, the Group has incurred losses resulting in a deficit of ₱2,100,379,350 and ₱2,097,669,306 as at December 31, 2022 and 2021, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. Albeit these conditions, management believes that the Group will be able to meet all its outstanding obligations and continue to operate as a going concern.

To continue as a going concern, the officers and major stockholders of the Group have committed to provide full financial support to the Group to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

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.

In addition, due to high demand in parking spaces and warehouses nowadays, management is eyeing to convert its unused land in Valenzuela into open parking spaces and renovate its vacant buildings into new warehouses for rent.

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 worldwide quarantines brought about by the COVID-19 Omicron variant had caused some slowdown in the business momentum of the country. Despite the easing of international travel, there is still some lingering reluctance of foreign investors to enter into new Philippine projects, Management, however, is optimistic that economic normalcy is coming soon especially with the successful roll out of proven vaccines.

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.

Current and Non-Current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and tax liability are classified as non-current assets and non-current liabilities, respectively.

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 loses 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, 2022 and 2021. The details of its subsidiaries are as follows:

Subsidiaries	Principal Activity	Ownership	
		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, 2022.

Property, Plant and Equipment 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. The amendments had no significant impact on the consolidated financial statements of the Group.

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. The amendments had no significant impact on the consolidated financial statements of the Group.

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 amendments are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the consolidated financial statements of the Group.

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* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The annual improvements are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the consolidated financial statements of the Group.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2022

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.

Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). The narrow-scope amendments to PAS 1, Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

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 amendments 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 amendments are applied prospectively. The amendments are 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.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments to PAS 8, Accounting Policies, changes focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Deferred Tax Related to Assets and Liabilities arising from Single Transaction (Amendments to PAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary difference arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendment clarifies the how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments to PFRS 16 specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Noncurrent Liabilities with Covenants (Amendments to PAS 1). The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as either current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual periods beginning on or after January 1, 2024.

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, 2022 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the 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, 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 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, 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 December 31, 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, 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.

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, the Group applies a simplified in calculating ECL. 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.

For advances to third parties and related parties, the Group applies a general approach in calculating ECL. The Company recognizes a loss allowance using management's adopted policy on ECL at the end of each reporting period.

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

Group as Lessee

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.

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 taxable revenue. As at December 31, 2022 and 2021, the Group assessed that its input VAT is recoverable in future periods.

The Group's input VAT amounted to ₱4,492,812 and ₱4,024,213 as at December 31, 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 (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 ₱29,747,227 and ₱37,333,705 as at December 31, 2022 and 2021, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱81,472,858 and ₱86,474,558 as at December 31, 2022 and 2021, respectively (see Note 5).

The carrying amount of the Group's advances to related parties amounted to ₱25,674,564 and ₱30,582,214 as at December 31, 2022 and 2021, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱129,010,691 and ₱132,103,302 as at December 31, 2022 and 2021, 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:

	2022	2021
Investment properties - note 8	₱45,992,266	₱ 48,890,261
Property and equipment - note 10	1,063,959	1,764,075
	₱47,056,225	₱ 50,654,336

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, 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 the employees' current salary rate and the employees' number of service years considers.

Retirement benefits obligation as at December 31, 2022 and 2021, amounted to ₱834,000 and ₱792,300, 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, 2022 and 2021, the Group's unrecognized deferred tax assets amounted to ₱172,721,310 and ₱174,760,912, respectively, is disclosed in Note 19.

4. CASH

Cash as at December 31 are as follows:

	2022	2021
Cash on hand	₱ 20,000	₱ 20,000
Cash in banks	8,714,752	9,569,982
	₱8,734,752	₱ 9,589,982

Cash in banks earns interest at the respective bank deposit rates ranging from 0.16% to 0.24% per annum in 2022, 2021 and 2020. Interest income earned from deposit amounted to ₱14,110, ₱23,949, and ₱6,216 in 2022, 2021, and 2020 respectively (see Note 16).

There is no restriction on the Group's cash in banks as at December 31, 2022 and 2021.

5. TRADE AND OTHER RECEIVABLES (net)

Trade and other receivables (net) as at December 31 are as follows:

	2022	2021
Trade receivable – note 20	₱ 318,506	₱ 11,215,841
Advances to third parties	109,912,035	109,291,112
Rental receivable – note 22	513,868	2,867,580
Utilities receivable	323,197	291,898
Others	152,479	141,832
	111,220,085	123,808,263
Allowance for ECL	(81,472,858)	(86,474,558)
	₱ 29,747,227	₱ 37,333,705

Trade receivables as at December 31, 2021 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 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 (see Note 25).

The movement in the allowance for ECL is as follows:

	2022	2021
Balance at beginning of year	₱86,474,558	₱ 90,825,700
Reversal of ECL – note 16	(5,001,700)	(4,351,142)
At end of year	₱81,472,858	₱ 86,474,558

The Group's trade and other receivables as at December 31, 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 December 31 are as follows:

	2022	2021
Creditable withholding tax	₱12,402,965	₱ 12,139,235
Input VAT	4,492,812	4,024,213
Prepaid expense	192,055	160,046
Deferred input VAT	85,618	85,952
Prepaid withholding tax	55,247	55,247
	₱17,228,697	₱ 16,464,693

As at December 31, 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 December 31, 2022 and 2021 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, 2022	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	86,691,400	89,982,224
Depreciation – notes 14 and 15	–	–	2,893,995	2,897,995
Balance at end of year	–	3,290,824	89,585,395	92,880,219
Accumulated impairment loss				
Balance at beginning and end of year	60,810,650	–	176,597,589	237,408,239
Net carrying amounts, December 31, 2022	₱ 974,016,347	₱ –	₱45,992,266	₱1,020,012,613
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 – notes 14 and 15	–	–	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

The amount of depreciation is allocated as follows:

	2022	2021
Direct costs and expenses – note 14	₱ 2,104,828	₱1,716,522
Operating expenses – note 15	789,167	1,349,067
	₱2,893,995	₱3,065,589

Rental income earned on the above investment properties amounted to ₱20,047,766, ₱23,857,767, and ₱29,882,741 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 22). While direct costs and expenses incurred on the buildings amounted to ₱12.56 million, ₱9.47 million, and ₱13.02 million in 2022, 2021, and 2020 respectively, shown under “Direct costs and expenses” in the consolidated statements of comprehensive income (see Note 14).

The carrying amount of the buildings being leased out is ₱27,035,257 and ₱26,212,361 as at December 31, 2022 and 2021, respectively (see Note 22).

Fully depreciated investment properties still in use as at December 31, 2022 and 2021 amounted to ₱3,290,824.

The aggregate fair value of the investment properties amounted to ₱3,543,635,160 and ₱3,378,711,000, as at December 31, 2022 and 2021, respectively.

The fair values are based on combination of appraisal done by an independent appraiser on various dates in 2022 and using the market approach, in which the fair value is based on prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

The fair value of the land was arrived using the sales comparison approach. This comparative approach, considers the sales of similar or substitute properties and related market data, and establishes a value estimate by process involving comparison. The value of the building and improvements was arrived at using cost approach. In the cost approach, an estimate is made of the current replacement/reproduction cost, new of the replaceable property in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit, fees and all other attendant costs associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials.

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. However in 2022, the land was swapped with another property which is about the same size and location that was owned by certain individuals (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:

	2022	2021
Cost		
Balance at beginning and end of year	₱573,891,284	₱570,557,369
Additions	(3,333,915)	3,333,915
Balance at end of year	₱570,557,369	₱573,891,284
Accumulated impairment loss		
Balance at beginning and end of year	47,641,000	47,641,000
Net carrying amounts, December 31	₱522,916,369	₱526,250,284

The fair value information of investment in joint operation is disclosed in Note 27.

As at December 31, 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 (see Note 20).

No liabilities, revenue and expenses recognized in relation to the joint venture in 2022 and 2021.

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	₱ 9,669,202	₱ 230,283	₱568,139,709
Additions	-	-	-	-	285,077	285,077
Reversal	-	-	-	-	(230,283)	(230,283)
Balance at end of year	₱ 800,000	₱547,522,657	₱ 9,917,567	₱ 9,669,202	₱ 285,077	₱568,194,503
Accumulated depreciation						
Balance at beginning of year	₱ 800,000	₱ 467,402,458	₱ 8,822,329	₱ 9,038,745	₱ 191,903	₱ 486,255,435
Depreciation – note 15	-	-	571,428	280,360	133,405	985,193
Reversal	-	-	-	-	(230,283)	(230,283)
Balance at end of year	800,000	467,402,458	9,393,757	9,319,105	95,025	487,010,345
Impairment loss						
Balance at beginning and end of year	₱ -	₱ 80,120,199	₱ -	₱ -	₱ -	₱ 80,120,199
Net carrying amounts, December 31, 2022	₱ -	₱ -	₱ 523,810	₱ 350,097	₱ 190,052	₱ 1,063,959

	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	8,822,329	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

Reversal of right-of-use assets pertains to expired lease contract.

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 ₱523,810 and ₱1,095,238 in 2022 and 2021, respectively.

Total depreciation charged to operation amounted to ₱985,193, ₱1,380,407, and ₱1,514,470 in 2022, 2021, and 2020, respectively (see Note 15).

Fully depreciated property and equipment still in use as at December 31, 2022 and 2021 amounted to ₱530,560,083.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 are as follows:

	2022	2021
Accounts payable	₱2,115,247	₱ 2,373,458
Deferred rental – note 22	2,285,198	2,667,285
Government liabilities	719,033	723,087
	₱5,119,478	₱ 5,763,830

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, 2022 and 2021.

12. BORROWINGS

Borrowings as at December 31 consist of:

	2022	2021
Current	₱413,082	₱ 375,911
Noncurrent	–	413,082
	₱413,082	₱ 788,993

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 ₱523,810 and ₱1,095,238 in 2022 and 2021, respectively (see Note 10).

Finance costs charged to operations amounted to ₱58,657 and ₱83,560 in 2022 and 2021, respectively (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:

	2022	2021	2020
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 ₱1 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 ₱1. 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, 2022, 2021 and 2020, the Parent Company has outstanding 3,271,952,740 shares and 3,271,938,180 shares under its name, respectively. Remaining unconverted shares under REDECO as at December 31, 2022, 2021, and 2020, is 4,092,897 shares and 4,107,457 shares, respectively. Outstanding shares owned by the public are 1,413,467,270 in 2022, 2021 and 2020.

The historical market values of the Group's shares as published in the PSE are as follows:

	Market value per share
December 31, 2022	₱0.23
December 31, 2021	0.23
December 31, 2020	0.22

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:

	2022	2021	2020
Property taxes	₱ 4,130,441	₱5,047,662	₱5,895,845
Security services	3,678,515	2,277,950	3,412,442
Repairs and maintenance	2,395,740	214,286	1,203,564
Depreciation - note 8	2,104,828	1,716,521	2,276,423
Insurance	255,322	212,740	235,920
	₱12,564,846	₱9,469,159	₱13,024,194

15. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2022	2021	2020
Salaries and wages	₱4,596,460	₱3,816,482	₱ 3,098,789
Taxes and licenses	3,062,716	3,365,760	6,529,730
Professional fees	2,420,250	2,400,000	2,082,000
Depreciation - notes 8 and 10	1,774,360	2,729,474	2,303,636
Communication, light and power	1,738,456	1,620,042	1,217,556
Security service	1,519,025	2,543,644	1,409,151
Commission	674,132	765,796	829,701
SSS, Medicare and EC contributions	384,004	318,131	229,860
Listing and maintenance fee	263,190	265,906	281,806
Repairs and maintenance	214,286	3,961,012	178,571
Insurance	135,841	217,849	148,190
Publication expense	97,907	114,400	156,728
Transportation and travel	81,408	73,056	52,735
Miscellaneous	651,923	1,335,023	4,743,984
	₱17,613,958	₱23,526,575	₱23,262,437

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:

	2022	2021	2020
Reversal of (provision for) ECL:			
Trade and other receivables – note 5	₱5,001,700	₱ 4,351,142	(₱ 155,424)
Advances to related parties – note 20	3,092,611	1,190,071	2,168,410
Interest income			
Cash in banks – note 4	14,110	23,949	6,216
Advances to related party – note 20	931,565	931,565	38,723
Gain on sale of investment properties – note 8	–	–	46,704,100
Write-off of other assets	–	–	(85,000)
Other charges	–	(1,050)	(2,363,904)
	₱9,039,986	₱ 6,495,677	₱46,313,121

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:

	2022	2021	2020
Advances from related parties – note 20	₱713,482	₱ 512,433	₱ 553,916
Borrowings – note 12	58,657	83,560	–
Lease liability – note 20	14,789	31,433	40,000
	₱786,928	₱ 627,426	₱ 593,916

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:

	2022	2021	2020
Balance at beginning of year	₱792,300	₱ 750,600	₱ 708,900
Provision for retirement	41,700	41,700	41,700
Balance at end of year	₱834,000	₱ 792,300	₱ 750,600

The provision for retirement benefits in 2022, 2021, and 2020 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:

	2022	2021	2020
Income (loss) before tax	(₱1,877,980)	(₱ 3,269,716)	₱ 39,315,315
Tax benefit at its statutory rate	(₱ 469,495)	(₱ 817,429)	₱ 11,794,595
Tax effect on:			
Expired NOLCO	3,068,668	1,708,362	4,295,412
Non-deductible expenses	53,747	267,394	2,235,327
Expired MCIT	43,904	70,384	69,299
Non-deductible portion of interest expense	178,370	128,134	58
Income subject to final tax	(3,528)	(5,986)	(14,013,095)
Changes in unrecognized deferred tax assets	(2,039,602)	(14,274,287)	(909,090)
Change in income tax rate	-	13,186,803	-
	₱ 832,064	₱ 263,375	₱ 3,472,506

The component of the Group's deferred tax assets (net) and deferred tax liability as at December 31 are as follows:

	2022	2021
Deferred tax assets		
Allowance for:		
ECL	₱52,620,887	₱ 54,644,465
Impairment loss on properties	109,550,831	109,550,831
NOLCO	10,281,164	10,079,615
MCIT	59,928	287,926
Accrued retirement benefits	208,500	198,075
Lease liability	47,918	10,452
Total	₱ 172,769,228	₱ 174,771,364
Unrecognized deferred tax assets	(₱172,721,310)	(174,760,912)
	₱ 47,918	₱ 10,452
Deferred tax liability		
Right-of-use asset (net)	(₱ 47,513)	₱ 9,595

As at December 31, 2022, 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
2022	2025	₱ –	₱13,217,335	₱ –	₱ –	₱13,217,335
2021	2026	12,279,289	–	–	–	12,279,289
2020	2025	15,628,033	–	–	–	15,628,033
2019	2022	12,411,139	–	(12,274,672)	(136,467)	–
		₱40,318,461	₱13,217,335	(₱12,274,672)	(₱136,467)	₱41,124,657

As at December 31, 2022, 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
2022	2025	₱ –	₱42,800	₱ –	₱ –	₱42,800
2021	2024	69,603	–	–	(57,073)	12,530
2020	2023	61,742	–	–	(57,144)	4,598
2019	2022	156,581	–	(43,904)	(112,677)	–
		₱287,926	₱ 42,800	(₱43,904)	₱226,894	₱59,928

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.

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.

Category	Amount/ Volume		Trade Receivables (Note 5)		Terms and conditions
	2022	2021	2022	2021	
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)
	(₱10,897,335)	₱ –	₱318,506	₱ 11,215,841	

Category	Amount/Volume		Advances to related parties		Terms and conditions
	2022	2021	2022	2021	
Advances to related parties with common key management					
Polymax Worldwide Limited (PWL) ₱	-	₱ -	₱105,060,000	₱105,060,000	(c)
TWGI					
Cash advances	(3,088,067)	(2,443,749)	48,132,755	50,841,257	(c)
Interest income – note 16	931,565	931,565	-	-	(c)
Consultancy fee	(480,000)	(480,000)	-	-	(c)
Rental and utilities	(72,000)	(72,000)	-	-	(c)
Concept Moulding Corp. (CMC)	(4,791,759)	811,000	992,500	5,784,259	(c)
PHES	(500,000)	1,000,000	500,000	1,000,000	(c)
	(8,000,261)	(253,184)	154,685,255	162,685,516	
Allowance for ECL	3,092,611	1,190,071	(129,010,691)	(132,103,302)	
	(₱4,907,650)	₱ 936,887	₱25,674,564	₱ 30,582,214	

Category	Amount/Volume		Advances from related parties		Terms and conditions
	2022	2021	2022	2021	
Advances from related parties with common key management					
PCC	₱153,563	₱ 260,775	₱82,619,427	₱ 82,465,864	(d)
Diamond Stainless Corp. (DSC)	-	(23,249,870)	70,557,800	70,557,800	(d)
PHES	659,898	5,042,301	37,275,422	36,615,524	(e)
IPC	31,427	(45,798)	24,091,092	24,059,665	(d)
KIC	-	-	23,539,858	23,539,858	(d)
Rexlon Realty Corp. (RRC)	-	23,187,370	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	62,500	(d)
	844,888	5,257,278	293,799,560	292,954,672	
Advances from stockholders/key management					
Key management and officers	(14,124,150)	(10,168,165)	133,826,479	147,950,629	(f)
	(₱13,279,262)	(₱ 4,910,887)	₱427,626,039	₱ 440,905,301	

(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. In 2023, the receivable was offset to advances from stockholders.

(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, ₱931,565 and ₱38,273 for the years ended December 31, 2022, 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 which is valid until April 30, 2022. Total consultancy fees incurred for the years December 31, 2022, 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, 2024. Total utilities amounted ₱72,000 for the years ended December 31, 2022, 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:

	2022	2021
Current	₱143,349	₱ 41,806
Noncurrent	48,323	–
	₱191,672	₱ 41,806

The future minimum lease payments as at December 31 are as follows:

	2022	2021
Not later than one year	₱150,000	₱ 50,000
Later than one year but not later than five years	50,000	–
Future minimum lease payments	200,000	50,000
Amounts representing finance charges	(8,328)	(8,194)
	₱191,672	₱ 41,806

The net carrying amount of the right-of-use assets recognized as at December 31, 2022 and 2021 is disclosed in Note 10.

Total finance costs charged to operations for the years ended December 31, 2022, 2021 and 2020 amounted to ₱14,789, ₱31,433 and ₱40,000, 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:

	2022	2021
Balance at beginning of year	₱ 132,103,302	₱ 133,293,373
Reversal of ECL – note 16	(3,092,611)	(1,190,071)
At end of year	₱129,010,691	₱ 132,103,302

(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 was granted an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The management assessed that the advances from the related parties are not expected to be settled within 12 months from the reporting period.

(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 cost recognized in the statements of comprehensive income amounted to ₱713,482 and ₱512,433 in 2022 and 2021, respectively (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. The Group was granted an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The management assessed that the advances from the related parties are not expected to be settled within 12 months from the reporting period.

(g) *Remuneration of key management personnel.*

Directors' fees paid for the years ended December 31, 2022, 2021 and 2020 amounted to ₱50,000, ₱60,000 and ₱30,000, 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:

	2022	2021	2020
Revenue of reportable segment	₱20,047,766	₱23,857,767	₱29,882,741
Other income (expense)	4,103,543	(2,470,237)	(744,105)
Depreciation	(3,745,783)	(3,065,589)	(3,065,589)
Direct costs and expenses	(8,934,506)	(13,342,273)	(10,832,291)
Operating expenses	(8,769,217)	(7,122,200)	(5,685,733)
Finance cost	(772,139)	(627,426)	(93,916)
Income tax	(819,212)	(251,179)	(3,467,238)
Segment net income (loss)	₱1,110,452	(₱ 3,021,137)	₱ 5,493,869
Total segment assets	₱1,404,456,225	₱ 1,422,044,857	₱1,419,087,344
Expenditure for non-current assets	₱ -	₱ -	₱ -
Total segment liabilities	₱ 571,198,809	₱ 589,897,893	₱ 583,919,242

As at December 31, 2022, 2021, and 2020, the Group has no intersegment revenue to be reported.

The following reconciliations were provided for additional segment information:

Net income (loss)

	2022	2021	2020
Net income (loss) of reportable segment	₱1,110,452	(₱3,021,137)	₱5,493,869
Net Income (loss) of non-reportable segment	(4,863,754)	(2,237,084)	32,165,404
Intercompany income/expenses eliminated in the consolidation	1,043,258	1,725,130	(1,816,464)
Net income (loss) reported in the consolidated statements of comprehensive income	(₱2,710,044)	(₱ 3,533,091)	₱35,842,809

Assets

	2022	2021
Assets of reportable segment	₱1,404,456,225	₱ 1,422,044,857
Assets of non-reportable segment	1,282,186,383	1,284,705,770
Intercompany receivables eliminated in the consolidation	(1,048,620,665)	(1,049,252,770)
Assets reported in the consolidated statements of financial position	₱1,638,021,943	₱ 1,657,497,857

Liabilities

	2022	2021
Liabilities of reportable segment	₱571,198,809	₱ 589,897,893
Liabilities of non-reportable segment	166,499,621	164,155,314
Intercompany liabilities eliminated in the consolidation	(299,825,575)	(299,414,482)
Liabilities reported in the consolidated statements of financial position	₱437,872,855	₱ 454,638,725

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 ₱3,631,755 and ₱6,327,584 as at December 31, 2022 and 2021, respectively, as shown in the consolidated statements financial position.

Deferred rental income relative to the lease amounted to ₱2,285,198 and ₱2,667,285 as at December 31, 2022 and 2021, respectively, as shown under ‘Accounts payable and other liabilities’ account (see Note 11).

The future minimum lease receivables are as follows:

	2022	2021	2020
Due within 1 year	₱2,285,198	₱ 2,667,285	₱ 2,526,198
Due beyond 1 year but not more than 5 years	-	-	-
	₱2,285,198	₱ 2,667,285	₱ 2,526,198

The carrying amount of the buildings being leased out is ₱27,035,257 and ₱26,212,361 as at December 31, 2022 and 2021, respectively (see Note 8).

Outstanding balance of receivable from tenants as at December 31, 2022 and 2021 amounted to ₱513,868 and ₱2,867,580, respectively (see Note 5). Total rental income is ₱20,047,766, ₱23,857,767, and ₱29,882,741 in 2022, 2021, and 2020, respectively (see Note 8).

23. EARNINGS (LOSS) PER SHARE

The following table presents information necessary to calculate the loss per share:

	2022	2021	2020
Consolidated net income (loss) for the year	(₱ 2,710,044)	(₱ 3,533,091)	₱ 35,842,809
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	(₱ 0.0008)	(₱ 0.0011)	₱ 0.0109

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 November 4, 2019, the Group together with WPI and TWGI 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 September 21, 2022, the SC issued a resolution denying SSS's Motion for Reconsideration with finality. On December 20, 2022, the SC issued an Entry of Judgment.

- 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, 2022			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks – note 4	(a)		₱ 8,714,752	₱ –	₱ 8,714,752
Trade and other receivables – note 5	(b)	Lifetime ECL	111,220,085	(81,472,858)	29,747,227
Advances to related parties – note 20	(b)	Lifetime ECL	154,685,255	(129,010,691)	25,674,564
Total			₱274,620,092	(₱210,483,549)	₱64,136,543

		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

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 using management's adopted policy on ECL. The Group determines the ECL on these items by using 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 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 parties are a reasonable approximation of the loss rates for the financial assets.

On that basis, the loss allowance as at December 31, 2022 and 2021 was determined based on ageing of receivables, as follows:

December 31, 2022	Trade and other receivables	Advances to related parties	Total
Performing	₱638,317	₱348,197	₱986,514
Doubtful			
1-30 days	341,200	–	341,200
31-90 days	132,240	240	132,480
91-180 days	121,880	–	121,880
181-360 days	370,432	1,533,056	1,903,488
In default			
1-2 years	267,008	45,024	312,032
2-3 years		500	500
3-5 years	55,877,462	47,698,238	103,575,700
Write-off	53,471,546	105,060,000	158,531,546
	₱111,220,085	₱154,685,255	₱265,905,340

December 31, 2021	Trade and other receivables	Advances to related parties	Total
Performing	₱ 1,079,587	₱ 1,853,854	₱ 2,933,441
Doubtful			
1-30 days	300,674	–	300,674
31-90 days	290,518	–	290,518
91-180 days	642,280	1,000,000	1,642,280
181-360 days	1,248,861	–	1,248,861
In default			
1-2 years	–	935,515	935,515
2-3 years	324,906	66,844	391,750
3-5 years	67,253,199	53,769,303	121,022,502
Write-off	52,668,238	105,060,000	157,728,238
	₱123,808,263	₱162,685,516	₱286,493,779

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, 2022 and 2021 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, 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*	₱ –	₱ 4,400,445	₱ –	₱ 4,400,445
Lease liability	–	143,349	48,323	191,672
Advances from related parties	427,626,039	–	–	427,626,039
Advances from lessees	–	3,631,755	–	3,631,755
Borrowings	–	413,082	–	413,082
	₱427,626,039	₱8,588,631	₱48,323	₱436,262,993

*excluding government liabilities

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

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 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 December 31 were as follows:

	2022	2021
Debt	₱ 437,872,855	₱ 454,638,725
Cash	(8,734,752)	(9,589,982)
Net debt	429,138,103	445,048,743
Total equity	1,200,149,088	1,202,859,132
Total capital	1,629,287,191	₱1,647,907,875
Gearing ratio	0.26:1	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, 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.

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.

	2022		Fair value hierarchy	Valuation techniques
	Carrying Value	Fair Value		
Financial Assets				
Advances to related parties	₱25,674,564	₱ 24,403,183	Level 2	(a)
Non-Financial Assets				
Investment properties	1,020,012,613	3,543,635,160	Level 2	(b)
Interest in joint operation	522,916,369	2,406,850,000	Level 2	(b)
	₱1,542,928,982	₱5,950,485,160		

	2022		Fair value hierarchy	Valuation techniques
	Carrying Value	Fair Value		
Financial Liabilities				
Advances from related parties	₱ 427,626,039	₱ 406,450,381	Level 2	(a)

	2021		Fair value hierarchy	Valuation techniques
	Carrying Value	Fair Value		
Financial Assets				
Advances to related parties	₱ 30,582,214	₱ 30,082,928	Level 2	(a)
Non-Financial Assets				
Investment properties	1,022,906,608	3,378,711,000	Level 2	(b)
Interest in joint operation	526,250,284	2,406,850,000	Level 2	(b)
	₱ 1,549,156,892	₱5,785,561,000		

	2021		Fair value hierarchy	Valuation techniques
	Carrying Value	Fair Value		
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		

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 5.21% in 2022 and 11.660% and 3.2512% in 2021.
- (b) The fair values are based on combination of appraisal done by an independent appraiser on various dates in 2022 and using the market approach, in which the fair value is based on prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

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, 2022	Balance as at January 1, 2022	Changes from financing cash flows	Balance as at December 31, 2022
Advances from related parties	₱ 440,905,301	(₱13,279,262)	₱427,626,039
Borrowings	788,993	(375,911)	413,082
Lease liability	41,806	149,866	191,672
	₱ 441,736,100	(₱13,505,307)	₱428,230,793

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

29. RECLASSIFICATION OF ACCOUNTS

Certain accounts in 2021 consolidated financial statements were reclassified to conform to the current year presentation.

* * * *

**Independent Auditors' Report on
Components of Financial Soundness Indicators**

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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 12, 2023. 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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 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.1738-A, Group A, effective until March 30, 2025
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2023

Global Reach, Global Quality

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WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2022

Ratio	Formula	2022	2021
Profitability ratios: Return on assets	Net income	₱ -	₱ -
	Divided by: Total assets	-	-
	Return on assets	NA	NA
Return on equity	Net income	₱ -	₱ -
	Divided by: Total equity	-	-
	Return on equity	NA	NA
Net loss margin	Net loss	(₱ 2,710,044)	(₱ 3,533,091)
	Divided by: Total revenue	20,047,766	23,857,767
	Net loss margin	(14%)	(15%)
Gross profit margin	Total revenue	₱ 20,047,766	₱ 23,857,767
	Less: Cost of service	(12,564,846)	(9,469,159)
	Gross profit	7,482,920	14,388,608
	Divided by: Total revenue	20,047,766	23,857,767
	Gross profit margin	0.37:1	0.60:1
Solvency and liquidity ratios: Current ratio	Current assets	₱ 55,710,676	₱ 63,388,380
	Divided by: Current liabilities	9,316,980	12,518,447
	Current ratio	5.98:1	5.06:1
Debt to equity ratio	Total liabilities	₱ 437,872,855	₱ 454,638,725
	Divided by: Total shareholder's equity	1,200,149,088	1,202,859,132
	Debt to equity ratio	0.36:1	0.38:1
Quick ratio	Quick assets*	₱ 38,481,979	₱ 46,923,687
	Divided by: Current liabilities	9,316,980	12,518,447
	Quick ratio	4.13:1	3.75:1
Cashflow liquidity ratio	Cashflow from operations	₱ 1,456,341	₱ 2,189,363)
	Divided by: Current liabilities	9,316,980	12,518,447
	Cashflow liquidity ratio	0.16:1	0.17:1

Financial leverage ratio Asset to equity ratio	Total assets	₱ 1,638,021,943	₱ 1,657,497,857
	Divided by: Total shareholder's equity	1,200,149,088	1,202,859,132
	Asset to equity ratio	1.36:1	1.38:1
Debt to asset ratio	Total liabilities	₱ 437,872,855	₱ 454,638,725
	Divided by: Total assets	1,638,021,943	1,657,497,857
	Debt to asset ratio	0.27:1	0.27:1

**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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 12, 2023. 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.1738-A, Group A, effective until March 30, 2025

Tax Identification No. 257-600-228

PTR No. 9573300, January 8, 2023, Makati City

BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2023

Global Reach, Global Quality

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Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

List of Supplementary Information

DECEMBER 31, 2022

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, 2022

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, 2022

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
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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, 2022**

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	₱49,801,456	₱438,148	₱ –	₱ –	₱ –	₱50,239,604	₱50,239,604
Indirect Subsidiaries (PCIC Subsidiaries)							
Pacific Plastic Corporation	95,305,771	–	(5,099,548)	–	–	90,206,223	90,206,223
Kennex Container Corporation	89,169,880	–	(6,904,279)	–	–	82,265,601	82,265,601
Inland Container Corporation	40,483,837	–	–	–	–	40,483,837	40,483,837
Rexlon Industrial Corp.	14,933,473	1,774,110	–	–	–	16,707,583	16,707,583
	₱289,694,417	₱2,212,258	(₱12,003,827)	₱ –	₱ –	₱279,902,848	₱279,902,848

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

Schedule D – Long-term Debt

December 31, 2022

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	₱413,082	₱–

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Schedule E – Indebtedness to Related Parties (Long Term Loans
From Related Companies)
December 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period
Diamond Stainless Corporation	₱ 70,557,800	₱ 70,557,800
Plastic City Corporation	82,465,864	82,619,427
International Polymer Corp.	24,059,665	24,091,092
Philippine Estates Corporation	36,615,524	37,275,422
Kenstar Industrial Corporation	23,539,858	23,539,858
Rexlon Realty Corp.	23,187,370	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	62,500
The Wellex Group, Inc.	13,722,810	13,722,810
Key officers	147,950,629	133,826,479
	₱ 440,905,301	₱427,626,039

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

Schedule F – Guarantees of Securities of Other Issuers

December 31, 2022

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
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Not Applicable

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES

Schedule G – Capital Stock

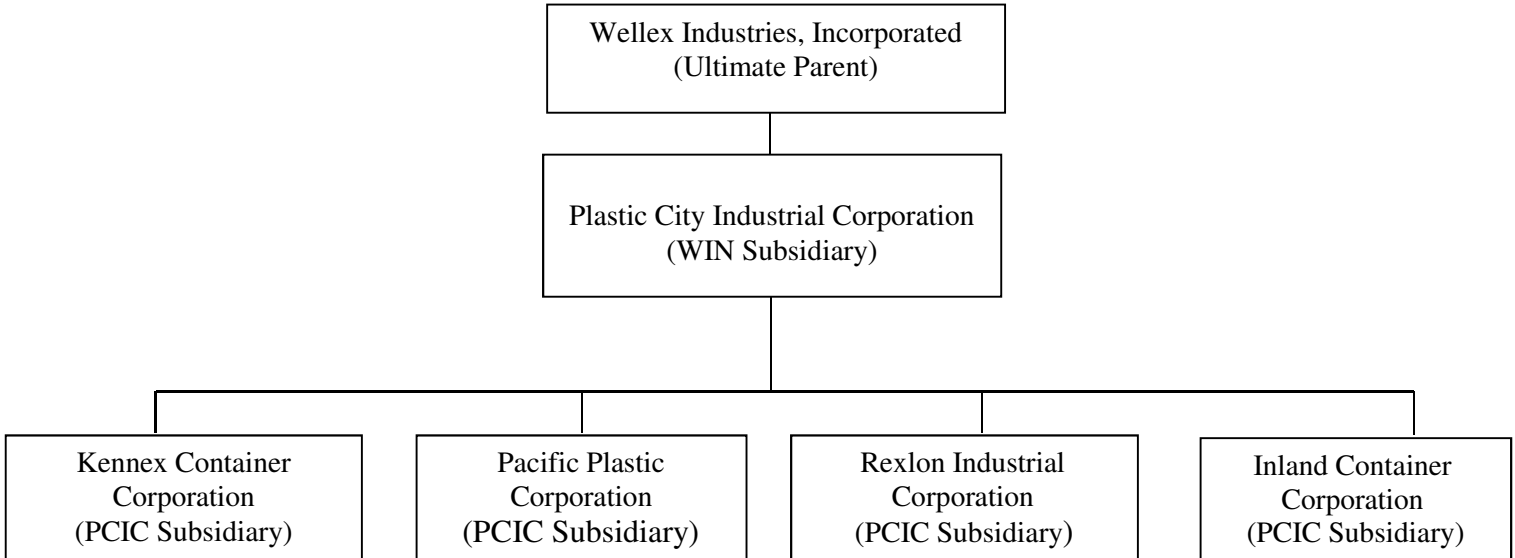
December 31, 2022

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, 2022

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱	–
Add: Net income actually earned/realized during the period		<u>–</u>
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		<u>–</u>
Sub-total		<u>–</u>
Add: Non-actual losses		–
Depreciation on revaluation increment (after tax)		–
Adjustment due to deviation from PFRS/GAAP – loss		<u>–</u>
Loss on fair value adjustment of investment property (after tax)		<u>–</u>
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		<u>–</u>
TOTAL RETAINED EARNINGS		<u>–</u>
END AVAILABLE FOR DIVIDEND		₱ –

WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES
Map of Conglomerate or Group of Companies within Which the Company Belongs
December 31, 2022



Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: wellexindustries@yahoo.com

Cc: annabelle.abunda@yahoo.com

Date: Tuesday, May 2, 2023 at 02:14 PM GMT+8

Hi WELLEX INDUSTRIES INC,

Valid files

- EAFS003946426ITRTY122022.pdf
- EAFS003946426AFSTY122022.pdf
- EAFS003946426RPPTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-MZS3N44X069J898FEM2STVTYP066H77HJ7**

Submission Date/Time: **May 02, 2023 01:54 PM**

Company TIN: **003-946-426**

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

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Wellex Industries Incorporated

Financial Statements
December 31, 2022 and 2021

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, INC. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the 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 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

PASIG CITY

APR 14 2023

SUBSCRIBED AND SWORN to before me in _____ City/Province, Philippines on _____
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: 352
PAGE NO: 5
BOOK NO: 115
SERIES OF: 2023

FERDINAND D. AYAHAO
Notary Public

For Pasig City, Pateros and San Juan City
Appointment No. 108 (2022-2025) valid until 12/31/2025
MCLE Exemption No. VII-BEP003719 valid until 04/14/25
Roll No. 46377; IBF LRN 02459. OR 538886; 06/21/2001
TIN 123-011-785; PTR 0161665, 01.06/23, Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel.+632-86314090

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the Parent Company financial statements of **Wellex Industries Incorporated** (the 'Parent Company'), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Parent Company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022, 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 *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Parent Company 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 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 financial statements, which indicates that the Parent Company has been incurring losses in current and prior years and has accumulated a deficit of ₱2,376,566,299 and ₱2,375,364,108 as at December 31, 2022 and 2021, 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 Parent Company'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 Parent Company 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.

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
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Website : www.dmdcpa.com.ph

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 Parent Company'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 receivables amounted to ₱52,668,238 as at December 31, 2022 and 2021. Allowance for ECL on advances to related parties amounted to ₱185,863,850 and ₱187,162,207 as at December 31, 2022 and 2021, respectively.

The disclosures related to allowance for ECL on receivables and advances to related parties are included in Note 17.

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 Parent Company and assessed whether these are acceptable under the requisites of PFRS 9.
- For receivables, checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used.
- For advances to related parties, recalculated the allowance for ECL based on management assertions and policy of the Group in adopting general approach.
- 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, 2022, but does not include the Parent Company 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, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the Parent Company 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 Parent Company 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 Parent Company 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 Financial Statements

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

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

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

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company'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 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 Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Parent Company financial statements, including the disclosures, and whether the Parent Company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Supplementary Information required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of **Wellex Industries Incorporated** taken as a whole. The supplementary information in Note 20 to the Parent Company financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic Parent Company financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic Parent Company financial statements taken as a whole.

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. 1738-A, Group A, effective until March 30, 2025

Tax Identification No. 257-600-228

PTR No. 9573300, January 8, 2023, Makati City

BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2023

WELLEX INDUSTRIES INCORPORATED
Parent Company Statements of Financial Position

	As at December 31	
	2022	2021
ASSETS		
Current Assets		
Cash - note 4	₱ 200,088	₱ 229,625
Receivables (net) - note 5	80,000	80,000
Input tax	2,597,716	2,357,945
	2,877,804	2,667,570
Noncurrent Assets		
Financial assets at FVOCI - note 6	12,500,000	12,500,000
Investments in subsidiaries (net) - note 7	775,954,191	775,954,191
Advances to related parties (net) - note 11	81,735,415	83,145,560
Investment properties - note 8	52,335,000	52,335,000
Right-of-use asset (net) - note 9	190,052	38,380
Deferred tax assets (net) - note 14	47,918	10,452
Other noncurrent assets	95,844	95,844
	922,858,420	924,079,427
TOTAL ASSETS	₱ 925,736,224	₱ 926,746,997
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 10	₱ 681,584	₱ 719,650
Lease liability - note 11	143,349	41,806
Income tax payable - note 14	9,316	9,316
	834,249	770,772
Noncurrent Liability		
Retirement benefits obligation - note 13	834,000	792,300
Lease liability (net of current portion) - note 11	48,323	-
Deferred tax liability - note 14	47,513	9,595
	929,836	801,895
	1,764,085	1,572,667
Equity		
Capital stock - note 12	3,276,045,637	3,276,045,637
Additional paid-in capital	24,492,801	24,492,801
Deficit - note 1	(2,376,566,299)	(2,375,364,108)
	923,972,139	925,174,330
TOTAL LIABILITIES AND EQUITY	₱ 925,736,224	₱ 926,746,997

(The accompanying notes are an integral part of these Parent Company's financial statements.)

WELLEX INDUSTRIES INCORPORATED
Parent Company Statements of Comprehensive Income

	For the Years Ended December 31		
	2022	2021	2020
INCOME			
Interest income - notes 4 and 11	₱ 931,691	₱ 931,805	₱ 39,074
Reversal of ECL on advances to related parties - note 11	1,298,357	1,534,408	2,151,693
	2,230,048	2,466,213	2,190,767
OPERATING EXPENSES			
Professional fees	1,634,000	1,770,000	1,452,000
Salaries, wages and employee benefits	563,880	528,732	546,463
Taxes and licenses	284,880	279,299	279,128
Listing, maintenance and renewal fees	263,190	265,906	281,806
Depreciation - note 9	133,405	115,142	112,878
Publication fees	97,907	114,400	156,728
Transportation and travel	81,408	73,056	52,735
Communication, light and power	72,000	72,000	72,000
Finance cost - note 11	14,789	31,433	40,000
Donation and contributions	-	30,000	516,000
Miscellaneous	277,012	170,513	262,568
	3,422,471	3,450,481	3,772,306
LOSS BEFORE TAX	(1,192,423)	(984,268)	(1,581,539)
PROVISION OF (BENEFIT FROM) INCOME TAX - note 14			
Current	9,316	9,123	774
Deferred	452	1,198	(863)
	9,768	10,321	(89)
LOSS FOR THE YEAR	(1,202,191)	(994,589)	(1,581,450)
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE LOSS	(₱ 1,202,191)	(₱994,589)	(₱ 1,581,450)
LOSS PER SHARE - note 15	(₱ 0.0004)	(₱ 0.0003)	(₱ 0.0005)

(The accompanying notes are an integral part of these Parent Company's financial statements.)

WELLEX INDUSTRIES INCORPORATED
Parent Company Statements of Changes in Equity

	Capital Stock (Note 12)	Additional Paid- In Capital	Deficit (Note 1)	Total
Balance at January 1, 2020	₱ 3,276,045,637	₱ 24,492,801	(₱ 2,372,788,069)	₱ 927,750,369
Net loss for the year	–	–	(1,581,450)	(1,581,450)
Balance at December 31, 2020	3,276,045,637	24,492,801	(2,374,369,519)	926,168,919
Net loss for the year	–	–	(994,589)	(994,589)
Balance at December 31, 2021	3,276,045,637	24,492,801	(2,375,364,108)	925,174,330
Net loss for the year	–	–	(1,202,191)	(1,202,191)
Balance at December 31, 2022	₱ 3,276,045,637	₱ 24,492,801	(₱ 2,376,566,299)	₱ 923,972,139

(The accompanying notes are an integral part of these Parent Company's financial statements.)

WELLEX INDUSTRIES INCORPORATED
Parent Company Statements of Cash Flows

	For the Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(₱ 1,192,423)	(₱ 984,268)	(₱ 1,581,539)
Adjustments for:			
Depreciation - note 9	133,405	115,142	112,878
Provision for retirement benefits - note 13	41,700	41,700	41,700
Interest income - notes 4 and 11	(931,691)	(931,805)	(39,074)
Finance cost - note 11	14,789	31,433	40,000
Write-off of refundable deposits	-	-	85,000
Reversal of ECL on advances to related parties - note 11	(1,298,357)	(1,534,408)	(2,151,693)
Operating loss before working capital changes	(3,232,577)	(3,262,206)	(3,492,728)
Decrease (increase) in:			
Receivables	-	7,243	4,248
Input tax	(239,771)	(227,774)	(228,333)
Increase (decrease) in accounts payable and other liabilities	(38,066)	308,679	31,352
Net cash used in operations	(3,510,414)	(3,174,058)	(3,685,461)
Interest received	126	240	351
Income tax paid	(9,316)	(581)	-
Net cash used in operating activities	(3,519,604)	(3,174,399)	(3,685,110)
CASH FLOWS FROM INVESTING ACTIVITY			
Collections of advances to related parties	3,640,067	2,995,751	4,303,387
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of lease liability - note 11	(150,000)	(150,000)	(150,000)
NET INCREASE (DECREASE) IN CASH	(29,537)	(328,648)	468,277
CASH - note 4			
At beginning of year	229,625	558,273	89,996
At end of year	₱ 200,088	₱ 229,625	₱ 558,273

(The accompanying notes are an integral part of these Parent Company's financial statements.)

WELLEX INDUSTRIES INCORPORATED
Notes to Parent Company Financial Statements

As at December 31, 2022 and 2021 and for each of the three years
in the period ended December 31, 2022

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 and 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 lease out the warehouse/ building facilities of the Group.

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 Parent Company's financial statements as at and for the year ended December 31, 2022, including its comparatives for 2021 and 2020, were authorized and approved for issue by the Board of Directors (BOD) of the Parent Company on April 12, 2023.

Status of Operations and Management Plans

For the year ended December 31, 2022 and 2021, the Parent Company has incurred losses resulting in a deficit of ₱2,376,566,299 and ₱2,375,364,108 as at December 31, 2022 and 2021, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as going concern and, therefore, the Parent Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Albeit these conditions, management believes that the Company will be able to meet all its outstanding obligations and continue to operate as a going concern.

To continue as a going concern, the officers and major stockholders of the Parent Company have committed to provide full financial support to the Parent Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

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 Parent Company to ride the crest of a resurgent mining industry 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 (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 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 Parent 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.

Redevelopment of the Plastic City Complex in Valenzuela

On December 17, 2012, the Parent Company 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 Parent Company'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 Parent Company has substantial amount of advances to related parties which are realizable upon demand.

The Parent Company 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 Parent Company 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.

In addition, due to high demand in parking spaces and warehouses nowadays, management is eyeing to convert its unused land in Valenzuela into open parking spaces and renovate its vacant buildings into new warehouses for rent.

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 Parent Company's financial standing, the size and timing of which will be directly related to the planned entry into new business endeavors.

The worldwide quarantines brought about by the COVID-19 Omicron variant had caused some slowdown in the business momentum of the country. Despite the easing of international travel, there is still some lingering reluctance of foreign investors to enter into new Philippine projects, Management, however, is optimistic that economic normalcy is coming soon especially with the successful roll out of proven vaccines.

Consequently, the Parent Company's financial statements have been prepared assuming that the Parent Company will continue as a going concern. The Parent Company's 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 the Parent Company 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 financial statements of the Parent Company 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.

These are the separate financial statements of the Parent Company. The Parent Company also prepares consolidated financial statements that include the financial statements of its subsidiaries. The Group's consolidated financial statements could be obtained from the Parent Company's registered address as disclosed in Note 1.

The Parent Company is required by the SEC to prepare both separate and consolidated financial statements which are available for public use under full PFRS.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the Parent Company's financial assets at FVOCI, which are stated at fair value. 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 financial statements are presented in Philippine peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Current and Non-Current Classification

The Parent Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading.
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and tax liability are classified as non-current assets and non-current liabilities, respectively.

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, 2022.

Property, Plant and Equipment 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. The amendments had no significant impact on the financial statements of the Parent Company.

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. The amendments had no significant impact on the financial statements of the Parent Company.

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 amendments are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the financial statements of the Parent Company.

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* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The annual improvements are effective for annual periods beginning on or after January 1, 2022. The amendments had no significant impact on the financial statements of the Parent Company.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2022

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

Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). The narrow-scope amendments to PAS 1, Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

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 amendments 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 amendments are applied prospectively. The amendments are 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.

Definition of Accounting Estimates (Amendments to PAS 8). The amendments to PAS 8, Accounting Policies, changes focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Deferred Tax Related to Assets and Liabilities arising from Single Transaction (Amendments to PAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary difference arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendment clarifies the how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments to PFRS 16 specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

Noncurrent Liabilities with Covenants (Amendments to PAS 1). The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as either current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual periods beginning on or after January 1, 2024.

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 Parent Company has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Parent Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2022 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the 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 Parent Company.

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 Parent Company 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 are measured or disclosed in the 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 financial statements on a recurring basis, the Parent Company 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 Parent Company determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

For the purpose of fair value disclosures, the Parent Company 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 19 to the 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 Parent Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the Parent Company 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 Parent Company statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments

Initial Recognition, Measurement and Classification

The Parent Company recognizes financial assets and financial liabilities in the 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 Parent Company 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 Parent Company’s business model for managing the financial assets. The Parent Company’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 Parent Company’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Parent Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or 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, 2022 and 2021, included under financial assets at amortized cost are the Parent Company's cash, receivables and advances to related parties (see Notes 4, 5 and 11).

Cash

The Parent Company's cash represents cash in bank that are not legally restricted for use, which carries interest at respective bank deposit rate.

Receivables

Receivables consist mainly of advances to third parties.

Advances to related parties

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

Equity Instruments Designated at FVOCI

Upon initial recognition, the Parent Company 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, 2022 and 2021, the Parent Company elected to classify irrevocably its unquoted equity investments under this category (see Note 6).

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, 2022 and 2021, included in financial liabilities at amortized cost are the Parent Company's accounts payable and other liabilities, and lease liability (see Notes 10 and 11).

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 government liabilities and accrued expenses.

Lease liability

Lease liability represents the Parent Company'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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 statement of comprehensive income.

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (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 Parent Company 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 Parent Company 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 receivables and advances to related parties, the Parent Company applies a general approach in calculating ECL. The Parent Company recognizes a loss allowance using the management's adopted policy on ECL at the end of each reporting period.

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 Parent Company recognizes impairment loss (reversals) in 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 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company'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 Parent Company 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 Parent Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Parent Company considers that default has occurred when a financial asset is more than one (1) year past due unless the Parent Company 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 concessions 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 Parent Company 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 more than five (5) years past due, whichever occurs sooner.

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

Input Tax

Input tax is the indirect tax paid by the Parent Company on the local purchase of goods or services from a VAT-registered person. When the input tax exceeds the output tax, the excess is carried over the next reporting period and is recognized as an asset presented as input tax in the statements of financial position.

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

Investments in Subsidiaries

Subsidiaries are entities over which the Parent Company has control. The Parent Company controls the subsidiaries when it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

The Parent Company's investments in subsidiaries are initially accounted for in these separate financial statements at cost and subsequently measured at cost less any accumulated impairment losses.

The Parent Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investments in subsidiaries. When necessary, the entire carrying amount of the investments (including goodwill) are tested for impairment in accordance with the Parent Company's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investments. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investments subsequently increases.

The investments in subsidiaries are derecognized upon disposal or when no future economic benefits are expected to arise from the investments. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investments in subsidiaries and are recognized in statements of comprehensive income.

Based on the management's impairment review of the Parent Company's assets, the Parent Company believes that there is no indication that an impairment loss has occurred on its investments in subsidiaries as at December 31, 2022 and 2021.

Investment Properties

Investment properties are principally for capital appreciation, and not occupied by the Parent Company.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Expenditures incurred after the investment properties has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Subsequent to initial recognition, land is carried at cost less any impairment in value.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the profit or loss 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.

Right-of-use Asset

Right-of-use asset represents lessee's right to use an asset over the lease term.

The Parent Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is initially measured at cost which includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	In Years
Right-of-use asset	2

When right-of-use 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.

Impairment of Non-financial Assets

At each reporting date, the Parent Company 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 asset 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 Parent Company 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 to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for 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 is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset 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 Parent Company 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 time value of money is material, the initial measurement is on a present value basis.

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

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

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

Revenue Recognition

Revenue is recognized to the extent that the economic benefits will flow to the Parent Company and the 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.

Interest income is recognized as it accrues (using the effective interest method i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Cost and Expense Recognition

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

Expenses in the Parent Company statements of comprehensive income are presented using the nature of expense method.

Income Taxes

The tax expense for the period comprises current and deferred tax. 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 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 Parent Company reassess 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 Parent Company 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 Parent Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Parent Company 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 Parent Company 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 Parent Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Parent Company 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 Parent Company elects to apply 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.

Related Parties and Related Party 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 Company 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 Company; (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 Company 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 Parent Company has established an unfunded and non-contributory defined benefit obligation for its qualified employees based on the amounts required by law.

Although the Parent Company do not meet the required number of employees, the estimated cost of retirement benefits required by the provisions of RA No. 7641 (Retirement Law) has been accrued. Under RA 7641, the Parent Company is required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes normal cost and estimated past service cost.

Basic Loss Per Share

Basic loss per share is calculated by dividing the loss by the weighted average number of common shares in issue during the year.

Provisions and Contingencies

Provisions are recognized when the Parent Company 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 with 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, an increase in the provision due to the passage of time is recognized as an interest expense. When the Parent Company 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 statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the 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 financial statements.

Events After the Reporting Date

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

3. **SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMATES AND ASSUMPTIONS**

The preparation of the Parent Company financial statements requires management to make judgments and estimates that affect amounts reported in the 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 Parent Company's believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Parent Company financial statements.

Significant Accounting Judgments in Applying the Parent Company's Accounting Policies

In the process of applying the Parent Company'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 Parent Company financial statements:

Retirement benefits obligation

The Parent Company considers that the amount recognized as retirement benefits obligation do not differ materially from the amount that would have been determined using the projected credit unit method under PAS 19 "Employee Benefits".

Investments in subsidiaries

The Parent Company clearly demonstrates control over the subsidiaries because it has rights to variable returns from its investment with the subsidiaries and has the ability to affect these returns through its power over the subsidiaries.

Realizability of Input tax

The Parent Company reviews and assesses its input tax for its recoverability. Factors which primarily 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.

The Parent Company's input tax amounted to ₱2,597,716 and ₱2,357,945 as at December 31, 2022 and 2021, respectively.

Leases

The Parent Company has entered into contract of lease for its office space it occupies. The Parent Company determines the contract if there is a substance of lease. In determining the substance of the lease, the Parent Company 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 Parent Company's lease for its office space has a substance of lease, thus, the Parent Company recognized right-of-use asset representing the right to use the leased asset and lease liability representing its obligation to make lease payments.

Significant Accounting Estimates and Assumptions

The Parent Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating allowance for ECL

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 17.

The carrying amount of the Parent Company's receivables amounted to ₱80,000 as at December 31, 2022 and 2021. Allowance for ECL recognized in the statements of financial position amounted to ₱52,668,238 as at December 31, 2022 and 2021 (see Note 5).

The carrying amount of the Company's advances to related parties amounted to ₱81,735,415 and ₱83,145,560 at December 31, 2022 and 2021, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱185,863,850 and ₱187,162,207 as at December 31, 2022 and 2021, respectively (see Note 11).

Impairment of investments in subsidiaries

The Parent Company carries certain investment at cost, which requires the extensive use of accounting estimates and judgments. However, the amount of changes in value would differ if the Parent Company utilized different valuation methods and assumptions. Any change in value of these investments would affect statements of comprehensive income and changes in equity.

Allowance for impairment losses on investments in subsidiaries amounted to ₱1,754,298,094 as at December 31, 2022 and 2021 (see Note 7).

The Parent Company's investment in subsidiaries amounted to ₱775,954,191 as at December 31, 2022 and 2021.

Deferred tax assets

The Parent Company reviews its deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to the cessation of the Parent Company's operation, management expects that the Parent Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Parent Company's deferred tax assets with full valuation allowance are fully discussed in Note 14.

The Parent Company's unrecognized deferred tax assets amounted to ₱62,008,149 and ₱62,675,598 as at December 31, 2022 and 2021, respectively (see Note 14).

4. CASH

Cash represents cash in bank with outstanding balance of ₱200,088 and ₱229,625 as at December 31, 2022 and 2021, respectively.

Cash in bank earns interest at the respective bank deposit rate. Interest income earned from deposit amounted to ₱126, ₱240 and ₱351 in 2022, 2021 and 2020, respectively.

There is no restriction on the Parent Company's cash in bank as at December 31, 2022 and 2021.

5. RECEIVABLES (net)

Receivables (net) as at December 31 are as follows:

	2022	2021
Advances to third party	₱52,668,238	₱52,668,238
Others	80,000	80,000
	52,748,238	52,748,238
Allowance for ECL	(52,668,238)	(52,668,238)
	₱ 80,000	₱ 80,000

The Parent Company's receivables as at December 31, 2022 and 2021 are not held as collateral for its liabilities and are free from any encumbrances.

6. FINANCIAL ASSET AT FVOCI

The Parent Company'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 Parent Company considers this investment to be strategic in nature and it holds this investment to foreseeable future. This investment is stated at cost since there is no quoted price in an active market.

The Parent Company's financial assets at FVOCI as at December 31, 2022 and 2021 are not held as collateral for its financial liabilities.

7. INVESTMENTS IN SUBSIDIARIES (net) – at cost

The Parent Company, as at December 31, 2022 and 2021, has the following wholly-owned subsidiaries which are all located in the Philippines.

PCIC

PCIC was incorporated in the Philippines and registered with SEC on November 18, 1975. Initially, PCIC was registered as a mere holding company on January 10, 1995 under the name of Plastic City Holdings, Inc. until its corporate name was changed to Plastic City Industrial Corporation and its primary and secondary purpose was likewise changed, from a mere holding company to that in the business of manufacturing.

It became the sole marketing arm of its subsidiaries engaged in the manufacture of various plastic products. PCIC has the following subsidiaries as at December 31, 2022 and 2021, respectively.

PCIC Subsidiaries

Subsidiaries	% Owned by PCIC		Nature and status of operation
	2022	2021	
Inland Container Corp. (ICC)	100%	100%	Engage in the manufacture of plastic containers. The Company ceased commercial operations on July 30, 2000, and had leased out its buildings as warehouse.
Pacific Plastic Corp. (PPC)	100%	100%	Manufactures plastic raw materials, rigid and non-rigid plastic products, plastic compounds, derivatives and other related substances. The Company ceased commercial operation on May 16, 2002 and had leased out its buildings as warehouse.
Rexlon Industrial Corp. (RIC)	100%	100%	Engage in the business of manufacturing and molding plastic products. The Company ceased its commercial operations on April 30, 2002.
Kennex Container Corp. (KCC)	100%	100%	Established to manufacture all kinds of plastic containers. The Company ceased its commercial operations on April 30, 2002, and had leased out its buildings as warehouses.

After PCIC and subsidiaries ceased commercial operations they had not resumed thereafter. PCIC and subsidiaries were all located at T. Santiago Street, Canumay, Valenzuela City.

The components of the carrying values of investments in subsidiaries accounted for under the cost method as at December 31 are as follows:

	2022	2021
PCIC and subsidiaries		
% of ownership	100%	100%
Acquisition cost	₱2,530,252,285	₱2,530,252,285
Accumulated impairment loss	(1,754,298,094)	(1,754,298,094)
	₱ 775,954,191	₱ 775,954,191

The recognized accumulated impairment loss arose mainly from the difference between the Parent Company's equity in the underlying consolidated net assets of PCIC and subsidiaries over its acquisition cost.

No impairment loss was recognized in 2022 and 2021 in as much as the Parent Company's equity in the underlying consolidated net assets of PCIC and subsidiaries exceeded the net carrying amounts of investments in PCIC and subsidiaries as at December 31, 2022 and 2021.

Summarized financial information of the subsidiaries is as follows:

	2022	2021
PCIC and subsidiaries		
Total assets	₱1,613,462,465	₱1,631,724,696
Total liabilities	685,299,959	702,225,945
Net assets	₱928,162,506	₱929,498,751
Revenues	₱26,154,165	₱24,187,514
Expenses	(27,490,410)	(30,899,257)
Net loss for the year	(₱1,336,374)	(₱6,711,743)

8. INVESTMENT PROPERTIES

The Parent Company's investment properties consist of parcels of land located at Montalban, Rizal with an area of 402,576 sq. meters. The aggregate cost of the land is ₱52,335,000 as at December 31, 2022 and 2021.

Land was received in exchange for its shares of stock in accordance with stock-for-assets swap arrangements entered into with various affiliates.

The fair value of land as at December 31, 2022 and 2021 amounted to ₱466,988,160 and ₱302,064,000, respectively.

The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Land with an aggregate carrying amount of ₱6,484,935 as at December 31, 2021 was under litigation. However, in 2022, the land was swapped with another property which is about the same size and location that was owned by certain individuals (see Note 16).

As at December 31, 2022 and 2021, the Parent Company's investment properties are not subject to any liens or encumbrances.

The Parent Company has not entered into any contractual commitments for the acquisition of investment properties as at December 31, 2022 and 2021.

9. RIGHT OF USE ASSET (net)

The reconciliation of right-of-use asset as at December 31 is as follows:

	2022	2021
Cost		
Balance at beginning of year	₱230,283	₱230,283
Additions	285,077	–
Write-off	(230,283)	–
Balance at end of year	285,077	230,283
Accumulated depreciation		
At beginning of year	191,903	76,761
Depreciation	133,405	115,142
Write-off	(230,283)	–
At end of year	95,025	191,903
Net carrying amounts, December 31	₱190,052	₱ 38,380

Write-off of right-of-use assets pertains to expired lease contracts.

Based on the impairment review of the Parent Company's assets, the Parent Company believes that there is no indication of impairment on its or as at December 31, 2022 and 2021.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 are as follows:

	2022	2021
Accrued expenses	₱435,033	₱586,175
Deferred output VAT	228,233	116,446
Due to government agencies	18,318	17,029
	₱681,584	₱719,650

Accrued expenses mainly represent accruals of professional fees.

There were no assets of the Parent Company that were collateralized for the above accounts payable and other liabilities.

11. RELATED PARTY TRANSACTIONS

The Parent Company, in the normal course of business, has transactions with related parties. The following are the specific relationship, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement.

Details of the related party transactions and balances are as follows:

	Amount of transactions		Outstanding Receivables		Terms	Conditions
	2022	2021	2022	2021		
Working capital cash advances:						
Advances to subsidiaries						
Plastic City Industrial Corp.	₱ -	₱ -	₱34,980,262	₱34,980,262	(a)	Unsecured; partially impaired
PCIC Subsidiaries:						
Inland Container Corp.	-	-	38,894,446	38,894,446	(a)	Unsecured; partially impaired
Kennex Container Corp.	-	-	34,558,744	34,558,744	(a)	Unsecured; partially impaired
Pacific Plastic Corp.	-	-	9,288,210	9,288,210	(a)	Unsecured; partially impaired
Common key management						
Polymax Worldwide Limited	-	-	105,060,000	105,060,000	(b)	Unsecured; partially impaired
Plastic City Corp.	-	-	3,083,820	3,083,820	(b)	Unsecured; partially impaired
	₱ -	₱ -	₱225,865,482	₱225,865,482		
Advances to stockholder						
The Wellex Group, Inc.	(2,708,502)	(2,064,186)	41,733,783	44,442,285	(c)	Unsecured; partially covered by impairment
	(2,708,502)	(2,064,186)	₱267,599,265	₱270,307,767		
Allowance for impairment	1,298,357	1,534,408	(185,863,850)	(187,162,207)	(d)	
	₱1,410,145	(₱529,778)	₱81,735,415	₱83,145,560		

(a) Subsidiaries

The Parent Company has non-interest bearing cash advances granted to Plastic City Industrial Corp. (PCIC) and its subsidiaries. The advances are intended for payment of operating expenses, collectible upon demand and are settled through cash payment depending on the availability of funds. These amounts are also settled through offsetting upon approval of the Parent Company. The advances are not guaranteed.

(b) Common key management

In prior years, the Parent Company provided non-interest bearing cash advances to companies with common key management intended to finance its operating expenses and to pay its outstanding borrowings. The Parent Company has not made any arrangement for the terms, security and guarantee on the advances. The advances are settled through cash payment depending on the availability of funds.

Polymax Worldwide Limited

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 Parent Company recognized advances to Polymax Worldwide Limited 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. The advances are to be settled through cash.

(c) Stockholder

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, ₱931,565 and ₱38,273 for the years ended December 31, 2022, 2021 and 2020.

To settle the outstanding advances, the Parent Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Parent Company entered into a Consultancy Agreement with TWGI which is valid until April 30, 2024. Total consultancy fees incurred for the years ended December 31, 2022, 2021 and 2020 amounted to ₱480,000, shown under 'Professional fees' account in the statements of comprehensive income.
- Lease Agreement for the Parent Company's office space for a monthly rental of ₱20,000, utilities of ₱5,000, and storage fee of ₱1,000 which is valid until April 30, 2024.

The present value of the lease liability as at December 31 is as follows:

	2022	2021
Current	₱143,349	₱ 41,806
Noncurrent	48,323	-
	₱191,672	₱ 41,806

The future minimum lease payments as at December 31 is as follows:

	2022	2021
Not later than one year	₱150,000	₱ 50,000
Later than one year but not later than five years	50,000	-
Future minimum lease payments	200,000	50,000
Amounts representing finance charges	(8,328)	(8,194)
	₱191,672	₱ 41,806

The net carrying amount of the right-of-use asset recognized as at December 31, 2022 and 2021 is disclosed in Note 9.

Total finance costs charged to operations for the years ended December 31, 2022, 2021 and 2020 amounted to ₱14,789, ₱31,433 and ₱40,000, respectively.

(d) *Advances to related party is net of allowance for ECL as follows:*

	2022	2021
At beginning of year	₱187,162,207	₱188,696,615
Reversal of ECL	(1,298,357)	(1,534,408)
	₱185,863,850	₱187,162,207

(e) *Directors fees*

Directors' fees paid for the years ended December 31, 2022, 2021 and 2020 amounted to ₱50,000, ₱60,000 and ₱20,000, respectively, are included as part of "Professional fees" in the statements of comprehensive income.

(f) *Other key management personnel compensation*

With the cessation of the subsidiaries commercial operations in prior years, the Parent Company's primary source of revenue comes only from interest income from bank deposits. Further, the Parent Company advanced from related parties to pay its operating expenses. In view of the Parent Company's tight cash position, the management decided to suspend any form of compensation to key management and officers effective in 2004.

12. CAPITAL STOCK

The details of the capital account are as follows:

	2022	2021
Common stock – ₱1 par value		
Authorized – 3.5 billion shares	₱3,500,000,000	₱3,500,000,000
Issued and fully paid – 3,276,045,637 shares at ₱1 per share	₱3,276,045,637	₱3,276,045,637

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 affect 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 ₱1 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 ₱1. 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, 2022, 2021 and 2020, the Parent Company has outstanding 3,271,952,740 shares and 3,271,938,180 shares under its name, respectively. Remaining unconverted shares under REDECO as at December 31, 2022, 2021, and 2020, is 4,092,897 shares and 4,107,457 shares, respectively. Outstanding shares owned by the public are 1,413,467,270 in 2022, 2021 and 2020.

The Parent Company has one class of common shares which carry no right to fixed income.

Outstanding 10,000 shares issued by the Parent Company were held by Rexlon Industrial Corp., a subsidiary of PCIC.

13. RETIREMENT BENEFITS OBLIGATION

The Parent Company 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 benefits under the noncurrent liabilities in the Parent Company statements of financial position are as follows:

	2022	2021
At beginning of year	₱792,300	₱750,600
Provision for retirement benefits for the year	41,700	41,700
At end of year	₱834,000	₱792,300

The provision for retirement benefits in 2022 and 2021, were included under salaries, wages and employee benefits in the Parent Company 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 required under PAS 19, Employee Benefits.

14. INCOME TAXES

Reconciliation of income tax expense

The reconciliation of loss before income tax computed at the statutory tax rate to provision for (benefit from) income tax as shown in the statement of comprehensive income follows:

	2022	2021	2020
Loss before tax	(₱1,192,423)	(₱ 984,268)	(₱1,581,539)
Income tax computed at statutory rate	(298,106)	(246,067)	(474,462)
Tax effect on:			
Expired NOLCO	975,353	753,988	793,498
Nondeductible expenses	-	7,750	-
Interest income subjected to final tax	(30)	(60)	(105)
Changes in unrecognized deferred tax assets	(667,449)	(505,439)	(319,020)
Change in income tax rate	-	149	-
	₱9,768	₱ 10,321	(₱ 89)

The composition of deferred tax assets (net) and is as follows:

	2022	2021
<i>Deferred tax assets</i>		
Allowance for ECL	₱59,633,022	₱59,957,611
NOLCO	2,147,414	2,510,015
Retirement benefits obligation	208,500	198,075
Lease liability	47,918	10,452
MCIT	19,213	9,897
	62,056,067	62,686,050
Unrecognized deferred tax assets	(62,008,149)	(62,675,598)
	₱ 47,918	₱ 10,452
<i>Deferred tax liability</i>		
Right-of-use asset (net)	(₱ 47,513)	(₱ 9,595)

As at December 31, 2022, the Parent Company has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Expiration Date	Beginning Balance	Additions	Expired	Claimed	Ending Balance
2022	2025	₱ -	₱2,451,012	₱ -	₱ -	₱2,451,012
2021	2026	2,449,641	-	-	-	2,449,641
2020	2025	3,689,005	-	-	-	3,689,005
2019	2022	3,901,413	-	(3,901,413)	-	-
		₱10,040,059	₱2,451,012	(₱3,901,413)	₱ -	₱8,589,658

As at December 31, 2022, the Company's MCIT that can be claimed as deduction from future income tax payable as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Additions	Expired/ Applied	Ending Balance
2022	2025	₱ –	₱ 9,316	₱ –	₱ 9,316
2021	2024	9,316	–	–	9,316
2020	2023	581	–	–	581
		₱ 9,897	₱ 9,316	₱ –	₱19,213

Deferred tax assets and liability are determined using the income tax rates in the period the temporary differences are expected to be recovered or settled.

Except on the effect of adoption of PFRS 16, a corresponding full valuation allowance had been established since management believes, that it is more likely than not, that the carry-forward benefits will not be realized in the future.

15. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share:

	2022	2021	2020
Net loss for the year	(₱ 1,202,191)	(₱ 994,589)	(₱ 1,581,450)
Weighted average number of shares outstanding	3,276,045,637	3,276,045,637	3,276,045,637
Loss per share	(₱ 0.0004)	(₱ 0.0003)	(₱ 0.0005)

16. COMMITMENTS AND CONTINGENCIES

Commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Parent Company are not reflected in the accompanying Parent Company financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Parent Company financial statements.

- a. On September 7, 1999, the Board of Directors approved the execution of a third-party real estate mortgage on the Parent Company'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 Parent Company 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 November 4, 2019, the Parent Company together with WPI and TWGI 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 September 21, 2022, the SC issued a resolution denying SSS's Motion for Reconsideration with finality. On December 20, 2022, the SC issued an Entry of Judgment.

- b. On June 24, 2019, the Parent Company 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 Parent Company to pay full jurisdictional amount. The Parent Company 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 Parent Company 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 denied the Petition for Review on Certiorari.

On October 27, 2020, the Parent Company to asked the Supreme Court to reconsider 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 Parent Company received the notice from the Supreme Court dated January 25, 2021, denying the Motion for Reconsideration but before the Parent Company can refile the case with the RTC, the Parent Company 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 Parent Company 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.

17. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Parent Company is exposed to a variety of financial risks which results from both its operating and financing activities. The Parent Company'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 Parent Company 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 Parent Company 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 Parent Company. The Parent Company credit risk is primarily attributable to its financial assets which composed of cash, receivables and advances to related parties.

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

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

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, 2022					
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in bank – note 4	(a)		₱ 200,088	₱ –	₱ 200,088
Receivables – note 5	(b)	Lifetime ECL	52,748,238	(52,668,238)	80,000
Advances to related parties – note 11	(b)	Lifetime ECL	267,599,265	(185,863,850)	81,735,415
Total			₱320,547,591	(₱238,532,088)	₱82,015,503

December 31, 2021					
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in bank – note 4	(a)		₱ 229,625	₱ –	₱ 229,625
Receivables – note 5	(b)	Lifetime ECL	52,748,238	(52,668,238)	80,000
Advances to related parties – note 11	(b)	Lifetime ECL	270,307,767	(187,162,207)	83,145,560
Total			₱323,285,630	(₱239,830,445)	₱83,455,185

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

(a) 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 bank is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Receivables and advances to related parties

For receivables and advances to related parties, the Parent Company has applied the general approach to measure the loss allowance using the management's adopted policy on ECL.

The ageing of receivables are as follows:

December 31, 2022	Receivables	Advances to related parties	Total
Performing	₱ 80,000	₱931,565	₱1,211,653
Doubtful			
1-30 days	—	—	—
31-90 days	—	—	—
91-180 days	—	—	—
181-360 days	—	—	—
In default			
1-2 years	—	—	—
2-3 years	—	—	—
3-5 years	—	161,607,700	161,607,700
Write-off	52,668,238	105,060,000	157,728,238
	₱52,748,238	₱267,599,265	₱320,347,503

December 31, 2021	Receivables	Advances to related parties	Total
Performing	₱ 80,000	₱ 1,043,353	₱1,123,353
Doubtful			
1-30 days	—	—	—
31-90 days	—	—	—
91-180 days	—	—	—
181-360 days	—	—	—
In default			
1-2 years	—	—	—
2-3 years	—	—	—
3-5 years	—	164,204,414	164,204,414
Write-off	52,668,238	105,060,000	157,728,238
	₱52,748,238	₱270,307,767	₱323,056,005

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 Parent Company's exposure to equity price risk arises from investments held by the Parent Company and classified in the Parent Company'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 Parent Company does not actively trade these investments.

If the price of the financial assets at FVOCI had been 10% higher/lower the other comprehensive income for the years ended December 31, 2022 and 2021 would decrease/increase by ₱1,250,000.

Liquidity risk

The Parent Company obtains funds for its working capital requirements through cash advances from its stockholders. The Parent Company's exposure to liquidity risk is insignificant as accounts payable and other liabilities are normally settled the next financial year.

Capital Risk Objective and Management

The Parent Company'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.

Consistently with others in the industry, the Parent Company 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 (include accounts payable and other liabilities less cash). Total capital is calculated as Equity as shown in the Parent Company 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 2022, the Parent Company's strategy, which was unchanged from 2021, was to keep the gearing ratio below 1% as proportion to net debt to capital. The gearing ratios as at December 31, 2022 and 2021 were as follows:

	2022	2021
Debt	₱1,764,085	₱1,572,667
Cash	(200,088)	(229,625)
Net debt	1,563,997	1,343,042
Total equity	923,972,139	925,174,330
Gearing ratio	0.0017:1	0.0015:1

The minimal gearing ratio of the Parent Company as at December 31, 2022 and 2021, illustrates that the Parent Company's activities are fully funded by the owner's capital and not relying on borrowed funds.

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, 2022 and 2021, the Parent Company is in compliance with this externally imposed capital requirement.

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation about the changes in the Parent Company's liabilities arising from financing activities, including both cash and non-cash changes for the years ended December 31 is as follows:

	Balance as at January 1, 2022	New leases	Changes from financing cash flows	Balance as at December 31, 2022
Lease liability	₱41,806	₱285,077	(₱135,211)	₱191,672

	Balance as at January 1, 2021	New leases	Changes from financing cash flows	Balance as at December 31, 2021
Lease liability	₱ 160,373	₱ –	(₱118,567)	₱ 41,806

19. FAIR VALUE INFORMATION

The following table gives information about how the fair values of the Parent Company'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.

2022				
	Carrying Value	Fair Value	Fair value hierarchy	Valuation techniques
Advances to related parties	₱ 81,735,415	₱77,687,950	Level 2	(b)
Investment properties	52,335,000	302,064,000	Level 2	(c)
	₱134,070,415	₱379,751,950		
2021				
	Carrying Value	Fair Value	Fair value hierarchy	Valuation techniques
Advances to related parties	₱ 83,145,560	₱ 81,788,123	Level 2	(b)
Investment properties	52,335,000	302,064,000	Level 2	(c)
	₱ 147,980,560	₱396,352,123		

The fair values of cash, receivables, accounts payable and other liabilities, approximate carrying values due to relatively short-term maturities.

Fair value estimation

The methods and assumptions used by the Parent Company in estimating the fair value of the financial instruments are as follows:

- (a) The fair value of advances to related parties is determined based on the discounted value using the applicable rate for fixed income government. The discounted rates used are 5.2099% in 2022 and from 1.6597% in 2021.
- (b) The fair value is determined using the market approach, in which the fair value is based on prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

Certain financial assets at FVOCI amounting to ₱12,500,000 as at December 31, 2022 and 2021 are carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

20. SUPPLEMENTAL INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Supplementary information required by Revenue Regulation (RR) No. 15-2010

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

a) Output Value-Added Tax

The Parent Company had no receipts for the year ended December 31, 2022 which are subject to VAT, VAT exempt or zero-rated sales transaction.

b) Input Value-Added Tax

	2022
At beginning of year	₱2,357,945
Current purchases and payments for:	
Goods other than for resale or manufacture	
Services lodged under other accounts	239,771
At end of year	₱2,597,716

c) Importations

The Parent Company did not pay nor accrue custom duties or tariff fees as the Parent Company did not import any goods or equipment for the year ended December 31, 2022.

d) Excise Tax

The Parent Company did not pay nor accrue any excise tax as there was no related transaction that requires the payment of the said tax for the year ended December 31, 2022.

e) Documentary Stamp Tax

The Parent Company did not pay nor accrue any documentary stamp tax as there was no related transaction that requires the payment of the said tax for the year ended December 31, 2022.

f) All other local and national taxes

	2022
Real property tax	₱253,938
Mayor's permit	24,201
Community tax certificate	660
Annual registration	500
Others	5,581
	₱284,880

g) Withholding taxes

The details of total withholding taxes for the year ended December 31, 2022 is shown below:

Expanded withholding tax	₱113,458
Withholding tax on compensation	29,830
	₱143,288

h) Deficiency Tax Assessment and Tax Cases

The Parent Company had no any deficiency tax assessments with the Bureau of Internal Revenue (BIR) or tax cases outstanding or pending in courts or bodies outside of the BIR as at December 31, 2022.

i) Other Information

All other information prescribed to be disclosed by the BIR has been included in this Note.

* * *

**Independent Auditors' Report on
Components of Financial Soundness Indicators**


To the Board of Directors and Stockholders of
WELLEX INDUSTRIES INCORPORATED
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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** (the 'Parent Company') as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated April 12, 2023. Our audits were made for the purpose of forming an opinion on the 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 Parent Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Parent Company's financial statements as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 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. 1738-A, Group A, effective until March 30, 2025
Tax Identification No. 257-600-228
PTR No. 9573300, January 8, 2023, Makati City
BIR Accreditation No. 08-001911-012-2022, effective until September 29, 2025

April 12, 2023

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872
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WELLEX INDUSTRIES INCORPORATED
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2022

Ratio	Formula	2022	2021
Profitability ratios: Return on assets	Net income	₱ -	₱ -
	Divided by: Total assets	-	-
	Return on assets	NA	NA
Return on equity	Net income	₱ -	₱ -
	Divided by: Total equity	-	-
	Return on equity	NA	NA
Net profit margin	Net income	₱ -	₱ -
	Divided by: Total revenue	-	-
	Net profit margin	NA	NA
Gross profit margin	Total revenue	₱ -	₱ -
	Less: Cost of service	-	-
	Gross profit	-	-
	Divided by: Total revenue	-	-
	Gross profit margin	NA	NA
Solvency and liquidity ratios: Current ratio	Current assets	₱ 2,877,804	₱ 2,667,570
	Divided by: Current liabilities	834,249	770,772
	Current ratio	3.45:1	3.46:1
Debt to equity ratio	Total liabilities	₱ 1,764,085	₱ 1,572,667
	Divided by: Total shareholder's equity	923,972,139	925,174,330
	Debt to equity ratio	0.00:1	0.00:1
Quick ratio	Quick assets*	₱ 280,088	₱ 309,625
	Divided by: Current liabilities	834,249	770,772
	Quick ratio	0.34:1	0.40:1
Cashflow liquidity ratio	Cashflow from operations	(₱ 3,519,604)	(₱ 3,174,399)
	Divided by: Current liabilities	834,249	770,772
	Cashflow liquidity ratio	(4.22%)	(4.12%)
Financial leverage ratio Asset to equity ratio	Total assets	₱ 925,736,224	₱ 926,746,997
	Divided by: Total shareholder's equity	923,972,139	925,174,330
	Asset to equity ratio	1.00:1	1.00:1
Debt to asset ratio	Total liabilities	₱ 1,764,085	₱ 1,572,667
	Divided by: Total assets	925,736,224	926,746,997
	Debt to asset ratio	0.00:1	0.00:1

*Includes Cash and Current Receivables

**Statement Required by Rule 68, Part I, Section 3.F,
Revised Securities Regulation Code (SRC)**

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

We have audited the accompanying financial statements of **Wellex Industries Incorporated** (the ‘Parent Company’), as at and for the year ended December 31, 2022, on which we have rendered the attached report dated April 12, 2023. In connection with our audit, we obtained a certification from the Parent Company’s corporate secretary as to the number of stockholders and their corresponding shareholdings as at December 31, 2022. In relation to the certification issued by the corporate secretary, we conducted certain tests necessary to validate the related Parent Company’s entries and balances.

In compliance with Revised SRC Rule 68 and based on the certification received from the Parent Company’s corporate secretary and the results of the work performed, as at December 31, 2022, the Parent Company has seven hundred eighty-two (782) stockholders owning one hundred (100) or more shares each.

DIAZ MURILLO DALUPAN AND COMPANY

Tax Identification No. 003-294-822

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By:



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April 12, 2023

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WELLEX INDUSTRIES INCORPORATED

List of Supplementary Information

DECEMBER 31, 2022

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. Long-Term Debt
- D. Indebtedness of Related Parties
- E. Guarantees of Securities of Other Issuers
- F. Capital Stock

Other Required Information

Reconciliation of Retained Earnings Available for Dividend Declaration

WELLEX INDUSTRIES INCORPORATED
Schedule A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)
December 31, 2022

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
Schedule B – Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other Than Related Parties)
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
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Not Applicable

WELLEX INDUSTRIES INCORPORATED
Schedule C – Long-term Debt
December 31, 2022

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
	None	₱143,349	₱48,323

WELLEX INDUSTRIES INCORPORATED
Schedule D – Indebtedness to Related Parties (Long Term Loans
From Related Companies)
December 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period
Not Applicable		

WELLEX INDUSTRIES INCORPORATED
Schedule E – Guarantees of Securities of Other Issuers
December 31, 2022

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
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Not Applicable

WELLEX INDUSTRIES INCORPORATED

Schedule F – Capital Stock

December 31, 2022

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
Reconciliation of Retained Earnings Available For Dividend Declaration
December 31, 2022

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱ —
Add: Net income actually earned/realized during the period	<u>—</u>
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	<u>—</u>
Sub-total	<u>—</u>
Add: Non-actual losses	—
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP – loss	<u>—</u>
Loss on fair value adjustment of investment property (after tax)	<u>—</u>
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	<u>—</u>
TOTAL RETAINED EARNINGS	<u>—</u>
END AVAILABLE FOR DIVIDEND	<u>₱ —</u>

**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
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 financial statements of **Wellex Industries Incorporated** (the 'Parent Company') as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 12, 2023. The supplementary information shown in the *List of Supplementary Information* is presented for the purpose of filing with the Securities and Exchange Commission and is not required part of basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic 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

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Wellex Industries, Inc.

Sustainability Reporting
December 31, 2021

Annex A: Reporting Template

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

Contextual Information

Company Details	
Name of Organization	WELLEX INDUSTRIES, INC. (WIN)
Location of Headquarters	35 th Flr. One Corporate Center, Dona Julia Vargas, cor Meralco Ave., Ortigas Center, Pasig City
Location of Operations	METRO MANILA, PHILIPPINES
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Plastic City Industrial Corporation (PCIC) & its subsidiaries (namely Pacific Plastic Corp, Kennex Container Corp, Rexlon Industrial Corp and Inland Container Corp)
Business Model, including Primary Activities, Brands, Products, and Services	WIN – Mining and Oil Exploration (no operation) PCIC – Other retail sale in specialized stores (no operation) PCIC subsidiaries – buying, selling, renting, leasing, operation of dwellings WIN and PCIC have no operations and currently focusing in temporary leasing out its subsidiaries’ warehouse facilities.
Reporting Period	For the year ended 2022
Highest Ranking Person responsible for this report	Annabelle Abunda – Compliance Officer

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

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. ¹
<p>The Company, Wellex Industries Inc. and its subsidiaries (collectively referred to as ‘the Group’), will initially submit its Sustainability Report, considering the materiality impact related to economic, environmental and social topics. They consider different aspects in evaluating the materiality such as company policies, laws and regulations of the local government and current issues in the economy.</p> <p>The Sustainability Accounting Standards Board (SASB) Map used by the Group is reference in the SEC Memorandum Circular No. 4, Series of 2019 on the Sustainability Reporting Guidelines for Publicly Listed Companies.</p> <p>As per management assessment, the Group identified that the following matters as most likely to affect the economic, environmental and social impacts of the Company:</p> <ul style="list-style-type: none"> A. Economic Impact – Economic Performance, Procurement Practices B. Environmental – Energy and Water Management C. Social Impact – Employee Management, Supply Chain Management, Customer Management and Data Security

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

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	20,047,766	PhP
Direct economic value distributed:		
a. Operating costs	8,434,407	PhP
b. Employee wages and benefits	4,596,460	PhP
c. Payments to suppliers, other operating costs	9,869,572	PhP
d. Dividends given to stockholders and interest payments to loan providers	-	PhP
e. Taxes given to government	7,193,157	PhP
f. Investments to community (e.g. donations, CSR)	100,000	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Only the subsidiaries of PCIC generate income by leasing out its warehouses. It also gives employment opportunities to people around the area.	Stockholders, Lessees and Employees	Management and its directors have dedicated to provide financial support to WIN and PCIC, which has no operation, in order to meet its working capital requirements and to be able to settle obligations as they fall due. Management chose to leased out the subsidiaries' warehouses in order to continually generate income and sustain its expenses. It also employs people who are residents within the area.
Procurement from local goods and services that is essential to the business.	Suppliers and Government	The Group relies on its suppliers and service providers such as banks.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Availability of goods and services as certain skills and capabilities are required by the Group.	Directors, Service Providers/Suppliers and Government	The Group commits to continuously pay government and suppliers on time to maintain good relationship and to avoid penalties in the future.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Group is committed to support third-parties who needed warehouses for rent.	Lessees and Government	The Group not only gained income from leasing but also helped third parties to store their products/items. They also make a good relationship with the lessees who follow strict compliance to government regulations.

Climate-related risks and opportunities²

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

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

Governance	Strategy	Risk Management	Metrics and Targets
Not Applicable	Not Applicable	Not Applicable	Not Applicable
Recommended Disclosures			
Not Applicable	Not Applicable	Not Applicable	Not Applicable

Procurement Practices

Proportion of spending on local suppliers

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

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

Anti-corruption

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

Training on Anti-corruption Policies and Procedures

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

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

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

Incidents of Corruption

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

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

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (electricity) – whole year 2022	365,350	kWh

Reduction of energy consumption

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

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	0	GJ

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

Water consumption within the organization

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

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption – whole year 2022	37,817	Cubic meters
Water recycled and reused	0	Cubic meters

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

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

Materials used by the organization

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

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

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

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	0 (identify all sites)	
Habitats protected or restored	0	ha
IUCN ³ Red List species and national conservation list species with habitats in areas affected by operations	0 (list)	

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

³ International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

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

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

Air pollutants

Disclosure	Quantity	Units
NO _x	0	kg
SO _x	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

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

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	0	kg
Reusable	0	kg
Recyclable	0	kg

Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

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

Hazardous Waste

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

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

Effluents

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Group has lessees that use water.	Lessees	Warehouse facilities are provided with adequate sewer lines.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There's no risk/s identified at this moment for this category.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

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

Non-compliance with Environmental Laws and Regulations

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

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

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁴		
a. Number of female employees	7	#
b. Number of male employees	11	#
Attrition rate ⁵	0	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	N	-	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	N	-	-
(Others)			

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

Employee Training and Development

The Group provide training internal and external to employees. But as of the moment, only the employee of the Parent Company attended trainings.
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Disclosure	Quantity	Units
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⁴ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁵ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Total training hours provided to employees		
a. Female employees	8	hours
b. Male employees	8	hours
Average training hours provided to employees		
a. Female employees	8	hours/employee
b. Male employees	8	hours/employee

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

Labor-Management Relations

The Company and its subsidiaries do not have an adequate number of employees to make an assessment of these metrics.

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

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

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	38.89%	%
% of male workers in the workforce	61.11%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Group has no material impact at this moment under	

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

Workplace Conditions, Labor Standards, and Human Rights

The Company and its subsidiaries do not have an adequate number of employees to make an assessment of these metrics.
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Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8hours per day	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This impact is on the health and safety of employees during office hours.	The Group follows the required health and safety measures prescribed by law, which includes assigning Safety Officer that will supervise employees.
What are the Risk/s Identified?	Management Approach
The risk is seen when some employees do not follow the guidelines or not following the Safety Officer.	The Group's guidelines provide appropriate penalties for non-compliance.
What are the Opportunity/ies Identified?	Management Approach
Having a safe workplace may avoid unfortunate incidents within the Group.	As an added security, employees are given medical plans as one of their benefits.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

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

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is in the welfare of the employees. The Group provides safe workplace to ensure that employees are protected.	The Group's Policy sets in the Employee Manual provides in detail what are the rights of the employees whilst employed by the Group.
What are the Risk/s Identified?	Management Approach

The risk is the possibility of aired grievances and lawsuits of employees.	Management provides for a process to ensure that rights of employees are protected.
What are the Opportunity/ies Identified?	Management Approach
If the policies are faithfully followed, a harmonious work environment can be achieved.	Consultation with legal counsel is always done before performing any activities that will affect employee welfare.

Supply Chain Management

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

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

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is on the service providers/suppliers' quality and efficient services required by the Group	All services and purchases by the Group are carefully evaluated and approved by officers.
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

Relationship with Community

Significant Impacts on Local Communities

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

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

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

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

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

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	0	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is on the lessee's satisfaction that the Group delivers.	The management ensure that they employed skilled workers so that they deliver its service to its lessee's in a satisfactory manner and less customer complaints.
What are the Risk/s Identified?	Management Approach
Poor service may lead to lessee's complaints and may terminate contracts.	The Group is open in any complaints from customers as this will help improve its service to its lessees.
What are the Opportunity/ies Identified?	Management Approach
Satisfaction of lessees may increase sales to the Group through renewal of contracts.	The Group continuously improves its good relationship with its lessees.

Health and Safety

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

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Health and safety of the lessees are always considered by the Group.	The Group ascertains its compliance with safety parameters mandated by the government by planning and designing all deliverables within the set standards of the applicable rules and regulations especially during the coverage of ECQ and GCQ.
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach

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

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

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Health and safety of the lessees are always considered by the Group.	The Group ascertains its compliance with safety parameters mandated by the government by planning and designing all deliverables within the set standards of the applicable rules and regulations especially during the coverage of ECQ and GCQ.
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

Customer privacy

The Group already implemented the Data Privacy Act of 2012.

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

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This impacts is on the confidentiality of lessees information..	Management follows a set of strict procedures that safeguards the information provided by customers.
What are the Risk/s Identified?	Management Approach
The risk is the customer information might get leaked.	Management has provided both manual and technological safety nets to protect customer information from getting leaked.
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

Data Security

The Group already implemented the Data Privacy Act of 2012.

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The proper implementation of the Data Privacy Act of 2012 has been put into measures.	All information of any stakeholders are confidentially kept by the Group. Any disclosures that the Group may do, will only be done within the Data Privacy Act.
What are the Risk/s Identified?	Management Approach
There's no risk/s identified at this moment for this category.	
What are the Opportunity/ies Identified?	Management Approach
There's no opportunity/ies identified at this moment for this category.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Mining and Oil Exploration	Contributes to economic growth	No significant potential impacts identified since this has no operation	
Leasing of Warehouse	Contributes decent work and economic growth	Lack of available job opportunities offered to the vulnerable sectors.	Management can assess procedures and existing policies to find more opportunities to provide for the vulnerable sector.

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