

COVER SHEET

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S.E.C. Registration Number

C R O W N A S I A C H E M I C A L S

C O R P O R A T I O N

(Company's Full Name)

K M 3 3 M C A R T H U R H I G H W A Y

B O T U K T U K A N G U I G U I N T O B U L A C A N

TITA P. VILLANUEVA

3 4 1 3 8 0 3 2

Contact Person

Company Telephone Number

1 2 3 1

SEC FORM 17-Q SEPTEMBER 30, 2020

0 7 0 9

Month Day

FORM TYPE

Month Day

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

5 8

Total No. of Stockholders

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended . **September 30, 2020**
2. SEC Identification number **159950**
3. BIR Tax Identification No **000-240-902-000**
4. Exact name of issuer as specified in its charter **CROWN ASIA CHEMICALS
CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**
6. Industry Classification Code (SEC Use Only)
7. Address of issuer's principal office **Km 33 Mc Arthur Highway Tuktukan Guiguinto,
Bulacan**

Postal Code **3015**
8. Issuer's telephone number, including area code **(632) 3413-80-32**
9. Former name, former address and former fiscal
year, if changed since last report **Not Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the
RSA

Title of each Class

Common stock

Number of shares of common
stock outstanding

610,808,000

Amount of debt outstanding

P 346,579,169

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

Yes ☐ No ☐

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

The Philippine Stock Exchange Inc.

12. Indicate by check mark whether the registrant:

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

Yes ☐ / ☐ No ☐ ☐

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

Yes ☐ / ☐ No ☐ ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Interim Financial Statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference.

Exhibit 1 – Statements of Financial Position as of September 30, 2020 and December 31, 2019

Exhibit 2 - Statements of Comprehensive Income for the periods ended September 30, 2020 and September 30, 2019

Exhibit 3 – Statements of Changes in Equity as of September 30, 2020 and September 30, 2019

Exhibit 4 – Statements of Cash Flow as of September 30, 2020 and September 30, 2019

Exhibit 5 - Notes to Interim Financial Information

Item 2 – Management’s Discussion and Analysis of Results of Operations and Financial Position

Please refer to Exhibit 6 hereof.

Item 3 – Aging of Accounts Receivable

Please refer to Exhibit 7 hereof.

Item 4 - Key Performance Indicators

Please refer to Exhibit 8 hereof.

EXHIBIT 1

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

	UNAUDITED <u>SEPTEMBER 30, 2020</u>	AUDITED <u>DECEMBER 31, 2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	118,132,564	56,456,379
Trade and other receivables - net	303,360,967	255,566,280
Inventories	432,759,183	495,990,475
Prepayments and other current assets	<u>104,539,316</u>	<u>118,512,011</u>
Total Current Assets	<u>958,792,030</u>	<u>926,525,145</u>
NON-CURRENT ASSETS		
Property, plant and equipment - net	569,072,851	586,635,278
Right of Use Assets - net	38,949,527	43,436,355
Other non-current assets	<u>9,987,739</u>	<u>11,950,944</u>
Total Non-Current Assets	<u>618,010,115</u>	<u>642,022,577</u>
TOTAL ASSETS	<u>1,576,802,145</u>	<u>1,568,547,723</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	229,362,155	281,245,088
Loans and Mortgage Payable	781,694	3,160,034
Lease Liability-Current	1,733,625	4,621,594
Income tax payable	<u>11,792,926</u>	<u>-</u>
Total Current Liabilities	<u>243,670,400</u>	<u>289,026,716</u>
NON-CURRENT LIABILITIES		
Mortgage Payable	6,949,617	6,949,617
Lease Liability-Non Current	39,565,489	39,565,489
Post-employment defined benefit obligation	9,276,964	6,832,444
Deferred tax liabilities - net	47,070,642	47,070,642
Advances from stockholders	<u>46,057</u>	<u>46,057</u>
Total Non-current Liabilities	<u>102,908,769</u>	<u>100,464,249</u>
Total Liabilities	<u>346,579,169</u>	<u>389,490,965</u>
EQUITY		
Capital stock	630,800,000	630,800,000
Additional Paid In capital	52,309,224	52,309,224
Revaluation reserves	125,057,545	125,057,545
Retained earnings	<u>462,822,429</u>	<u>408,352,960</u>
	1,270,989,197	1,216,519,729
Less: Treasury Stock (19,992,000 shares)	<u>40,766,221</u>	<u>37,462,971</u>
Total Equity	<u>1,230,222,976</u>	<u>1,179,056,758</u>
TOTAL LIABILITIES AND EQUITY	<u>1,576,802,145</u>	<u>1,568,547,723</u>

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE (9) MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	<i>FOR THE PERIOD</i>		<i>FOR THE QUARTER</i>	
	<i>UNAUDITED</i>	<i>UNAUDITED</i>	<i>UNAUDITED</i>	<i>UNAUDITED</i>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES	790,366,836	1,100,251,464	318,399,902	381,977,202
COST OF GOODS SOLD	<u>553,173,161</u>	<u>776,595,232</u>	<u>228,050,319</u>	<u>271,784,562</u>
GROSS PROFIT	<u>237,193,675</u>	<u>323,656,232</u>	<u>90,349,583</u>	<u>110,192,639</u>
OTHER OPERATING EXPENSES	<u>118,019,164</u>	<u>132,230,893</u>	<u>48,040,930</u>	<u>46,924,516</u>
NET OPERATING INCOME	119,174,511	191,425,339	42,308,652	63,268,123
OTHER INCOME (CHARGES)				
Impairment Loss	(1,273,913)		(1,273,913)	
Foreign currency gains (losses) - net	(2,501,661)	(286,827)	(1,719,840)	843,157
Finance income	221,509	56,002	174,572	20,703
Finance costs	(3,444,921)	(2,150,288)	(1,028,079)	(935,564)
Other income	<u>1,196,025</u>	<u>945,316</u>	<u>271,350</u>	<u>43,046</u>
	<u>(5,802,961)</u>	<u>(1,435,797)</u>	<u>(3,575,910)</u>	<u>(28,659)</u>
PROFIT BEFORE TAX	113,371,551	189,989,543	38,732,742	63,239,464
TAX EXPENSE	<u>34,458,443</u>	<u>57,205,120</u>	<u>11,827,712</u>	<u>18,861,315</u>
NET PROFIT	<u>78,913,108</u>	<u>132,784,423</u>	<u>26,905,030</u>	<u>44,378,149</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Revaluation increment on land				
Remeasurements of post-employment defined benefit plan				
Tax income (expense)				
TOTAL COMPREHENSIVE INCOME	<u>78,913,108</u>	<u>132,784,423</u>	<u>26,905,030</u>	<u>44,378,149</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>0.13</u>	<u>0.22</u>	<u>0.04</u>	<u>0.07</u>

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE (9) MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	<i>UNAUDITED</i>	
	2020	2019
CAPITAL STOCK		
Balance at beginning of year	630,800,000	630,800,000
Issuance of shares during the year	-	-
Balance at end of the period	<u>630,800,000</u>	<u>630,800,000</u>
ADDITIONAL PAID IN CAPITAL		
Balance at beginning of year	52,309,224	52,309,224
Balance at end of the period	<u>52,309,224</u>	<u>52,309,224</u>
REVALUATION RESERVES		
Balance at beginning of year		
As previously reported	125,057,545	62,954,276
Effect of revaluation of land - net of tax	<u>-</u>	<u>-</u>
As restated	125,057,545	62,954,276
Revaluation of land during the year		
Tax effect of revaluation of land		
Remeasurement of post-employment defined benefit - net of tax		
Balance at end of the period	<u>125,057,545</u>	<u>62,954,276</u>
RETAINED EARNINGS		
Appropriated		
Balance at beginning of year		
Reversal of appropriation		
Appropriation during the year		
Balance at end of the period		
Unappropriated		-
Balance at beginning of year	408,352,961	328,314,487
Net profit for the period	78,913,108	132,784,423
	<u>487,266,069</u>	<u>461,098,910</u>
Cash dividend	(24,443,640)	(56,376,180)
Balance at end of the period	<u>462,822,429</u>	<u>404,722,730</u>
Balance at end of the period	1,270,989,197	1,150,786,230
Treasury stock (19,992,000 shares)	<u>(40,766,221)</u>	<u>(26,660,041)</u>
TOTAL EQUITY	<u>P 1,230,222,976</u>	<u>P 1,124,126,189</u>

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounds Corporation)
STATEMENTS OF CASH FLOWS
FOR THE NINE (9) MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	<i>UNAUDITED</i>	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	113,371,551	189,989,543
Adjustments for:		
Depreciation and amortization	31,720,316	26,553,875
Impairment Loss on financial assets	1,273,913	-
Reversal of allowance for impairment of trade receivables	-	-
Realized Foreign currency (gains) loss - net	1,157,060	(294,023)
Unrealized Foreign currency (gains) loss - net	1,344,602	639,642
Interest expense for loans and mortgages	1,170,682	2,150,288
Interest expense for lease liabilities	2,274,239	
Finance income	(221,509)	(56,002)
Other Income	(916,025)	(92,516)
Gain on sale of property and equipment	(280,000)	(852,800)
Operating profit before working capital changes	150,894,828	218,038,007
(Increase)decrease in trade and other receivables	(49,068,598)	(79,087,066)
(Increase)decrease in inventories	63,231,292	(4,105,128)
(Increase) decrease in prepayments and other current assets	13,972,697	(5,569,389)
(Increase) decrease in other non-current assets	1,915,054	(16,846,040)
Increase (decrease) in trade and other payables	(51,882,934)	12,934,159
Increase (decrease) in post-employment defined benefit obligation	2,444,520	2,228,281
Increase (decrease) in lease liability	(2,887,969)	-
Cash generated from (used in) operations	128,618,889	127,592,824
Cash paid for Income taxes	(22,621,920)	(45,209,016)
Net Cash From (Used In) Operating Activities	105,996,969	82,383,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(9,622,908)	(28,248,449)
Proceeds from disposal of property, plant and equipment	280,000	852,800
Other Income	916,025	92,516
Interest received	177,913	39,638
Net Cash Used in Investing Activities	(8,248,971)	(27,263,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances/Payments from stockholders	-	-
Repurchase of shares of stocks during the period	(3,303,250)	(26,660,041)
Dividends paid	(24,443,640)	(56,376,180)
Interest paid for lease liabilities	(2,274,239)	
Interest paid on loans and mortgages	(1,170,682)	(2,150,288)
Payment of short term loans and mortgages	(2,378,340)	
Proceeds from short term loans and borrowings	35,000,000	5,368,297
Payments of short term loans and borrowings	(35,000,000)	(23,000,000)
Net Cash From (Used in) Financing Activities	(33,570,152)	(102,818,212)
Effect of Exchange Rate Changes on Cash	(2,501,661)	(345,619)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,676,185	(48,043,518)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	56,456,379	81,388,706
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 118,132,564	P 33,345,189

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)
(With Comparative Figures for December 31, 2019)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Crown Asia Chemicals Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 10, 1989 primarily to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail such goods as plastic and/or synthetic resins and compounds and other allied or related products of similar nature.

The Company's Board of Directors (BOD) approved the change in name of the Company from Crown Asia Compounders Corporation to Crown Asia Chemicals Corporation on March 4, 2014. The SEC approved the change in name of the Company and the corresponding amendment in the Company's Articles of Incorporation on September 29, 2014. The change in name of the Company was registered with the Bureau of Internal Revenue (BIR) on October 24, 2014.

The Company's shares were listed in the Philippine Stock Exchange (PSE) on April 27, 2015.

On December 5, 2018, the Company's BOD approved the adoption of Share Buyback program whereby the Company is authorized to reacquire its capital stock from the public for an aggregate acquisition price of P100.0 million.

The Company's registered office, which is also its principal place of business, is located at Km. 33, McArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan. The Company's administrative office is located at Units 506 and 508 President's Tower, No. 81 Timog Ave., South Triangle, Quezon City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separate from the statement of profit or loss.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Company

The Company adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PFRS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization

Discussed below are the relevant information about these pronouncements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Company's financial statements.
- (ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Company's financial statements.
- (iii) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Company has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard.

The new accounting policies of the Company as a lessee are disclosed in Note 2.13(i).

Discussed below are the relevant information arising from the Company's adoption of PFRS 16 and how the related accounts are measured and presented on the Company's financial statements.

- a. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

- b. The Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments.
 - c. The Company has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Company also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and estimated cost to restore the leased asset that existed as at January 1, 2019.
 - d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.
 - e. The Company has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:
 - i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets.
 - iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- (iv) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- (v) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Company:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is

treated as part of the entity's general borrowings when calculating the capitalization rate.

(b) Effective in 2019 that are not Relevant to the Company

Among the annual improvements to PFRS 2015-2017 Cycle which are mandatorily effective for annual periods beginning on or after January 1, 2019, the amendments to PFRS 3, *Business Combinations*, PFRS 11, *Joint Arrangements* and PFRS 28, *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures* are not relevant to the Company's financial statements.

(c) Effective Subsequent to 2019 but not Adopted Early

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.
- (ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's strategic steering committee, its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Company.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at amortized cost, financial assets at FVOCI, and financial assets at FVTPL. Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets at amortized cost is the only classification applicable to the Company. The classification and measurement of the Company's relevant financial assets are described below.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs.

These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost in accordance with PFRS 9 are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances and portion of Other receivables) and Security deposits (presented under Other Non-current Assets) in the statement of financial position.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of profit or loss as part of Finance Income under Other Income (Charges).

(b) Impairment of Financial Assets

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.
-

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The amount of ECL required to be recognized during the year is presented as Impairment loss under Other Income (Charges). Reversal of loss allowance, if

applicable, is recognized in the statement of profit or loss as part of Other income under Other Income (Charges).

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Finished goods include the cost of raw materials, direct labor and a proportion of manufacturing overhead based on actual units produced. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realizable value of raw materials is the current replacement cost

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

2.6 Prepayments and Other Assets

Prepayments and other assets, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Advances to suppliers that will be applied as payment for future purchase of inventories are classified and presented under the Prepayments and Other Current Assets account in the statement of financial position. On the other hand, advances to suppliers that will be applied as payment for future acquisition or construction of property, plant and equipment are classified and presented under the Other Non-current Assets account. The classification and presentation is based on the eventual realization of the asset to which it was advanced for.

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

2.7 Property, Plant and Equipment

Property, plant and equipment, except land, are initially recognized at cost and subsequently carried at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, land is carried at revalued amount which is the fair value at the date of the revaluation as determined by independent appraisers. Revalued amount is the fair market value determined based on appraisal by external professional valuer once every two years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Upon disposal of revalued assets, amounts included in Revaluation Reserves relating to the assets are transferred to Retained Earnings, net of tax.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	5 years
Building and improvements	3-10 years
Transportation equipment	3-7 years
Machineries, factory, and other equipment	3-15 years
Furniture, fixtures and office equipment	3-5 years

Leasehold improvements presented as part of Building and improvements are amortized over the asset's estimated useful lives or applicable lease terms, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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

Fully depreciated and amortized assets are retained in the account until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

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

An item of property, plant and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets include registered trademarks which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives over ten years as the lives of these intangible assets are considered finite. Intangible assets are subject to impairment testing. The carrying amounts of the intangible assets are presented as Trademarks under Other Non-current Assets account in the statement of financial position.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds received and the carrying amount of the asset and is recognized in profit or loss.

2.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except Advances from customers and tax-related payables), Loans and Mortgage Payables and Advances from Stockholders, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Finance Costs in the statement of profit or loss.

Trade and other payables, loans and mortgage payables and advances from stockholders are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities upon declaration by the Company's BOD.

Interest-bearing loans, if any, normally arise from the funding of certain construction projects and working capital loans raised for support of short-term funding of operations and are recognized initially at the transaction price (i.e., the present value of cash payable to the bank, including transaction costs). Finance costs are charged to profit or loss on an accrual basis (except for capitalizable borrowing costs which are added as part of the cost of qualifying asset) using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of

the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.10 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entities and all counterparties to the financial instruments.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Revenue and Expense Recognition

Revenue comprises sale of goods measured by reference to the fair value of consideration received or receivable by the Company for goods sold, excluding value-added tax (VAT).

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

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

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

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

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

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

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

The Company enters into transactions involving the sale of goods representing compounds, pipes and roofing products. The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

Specifically, revenue from sale of goods is recognized when the control over the goods has been transferred at a point in time to the customer, i.e. generally when the customer has acknowledged delivery of goods. Invoices for goods transferred are due upon receipt by the customer.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also if applicable, the Company recognizes a right of return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Goods Sold account. However, there were no contracts that contained significant right of return arrangements that remain outstanding during the reporting periods.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and recognizes as outright expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Costs and expenses are recognized in profit or loss upon utilization of the goods and/or services or at the date they are incurred. All finance costs except for the capitalized borrowing costs, if any, are reported in profit or loss on an accrual basis.

2.13 Leases – Company as Lessee

(i) Accounting for Leases in Accordance with PFRS 16

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for

payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

(ii) *Accounting for Leases in Accordance with PAS 17*

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the statement of financial position. Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.14 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.15 Impairment of Non-financial Assets

The Company's property, plant and equipment, intangible assets (presented under the Other Non-current Assets account) and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.16 Employee Benefits

The Company provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payable account in the statement of financial position.

(b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension

plan is partially funded, tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities for land that is measured using the fair value model, the land's carrying amount is presumed to be recovered entirely through sale as an ordinary asset.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax effect is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.19 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's funded retirement plan.

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

Transactions amounting to ten percent (10%) or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10 percent (10%) of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

2.20 Equity

Capital stock represents the nominal value of shares that have been issued. Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Revaluation reserves account pertains to remeasurements of post-employment defined benefit plan. It also includes the fair value gains and losses due to the revaluation of land.

Retained earnings, the appropriated portion of which, if any, is not available for dividend distribution, represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

2.21 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.22 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

In the process of applying the 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 financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of warehouses and offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company included the renewal period as part of the lease term for leases of warehouses and offices due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., four to ten years) and there will be a significant negative effect on production if a replacement is not readily available. However, the renewal options for leases of transportation equipment were not included as part of the lease term because the Company has historically exercises its option to buy these transportation equipment at the end of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Determination of Timing of Satisfaction of Performance Obligations

The Company determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(c) Determination of Transaction Price

The transaction price which excludes any amounts collected on behalf of third parties (e.g., VAT) is considered receivable to the extent of products sold with consideration on the right of return, if applicable. Also, the Company uses the practical expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of any financing component [i.e., the Company receives advances from certain customers which can be applied to their future purchases as the Company expects, at contract inception, that the period between when the Company transfers promised goods or services to the customer and payment due date is one year or less.

(d) Determination of ECL on Trade and Other Receivables

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

(e) Determination of Cost of Inventories

In inventory costing, management uses estimates and judgment in properly allocating the labor and overhead between the cost of inventories on hand and cost of goods sold. Currently, the Company allocates manufacturing overhead on the basis of actual units produced. However, the amount of costs charged to finished goods inventories would differ if the Company utilized a different allocation base. Changes in allocated cost would affect the carrying cost of inventories and could potentially affect the valuation based on lower of cost and net realizable value.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant provisions and contingencies are presented in Note 20.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of 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).

(c) *Impairment of Trade and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

(d) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Even though the Company's core business is not continuously subject to rapid technology changes which may cause inventory obsolescence, future realization of the carrying amounts of inventories is still affected by price changes. Such aspect is considered a key source of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

(e) *Estimation of Useful Lives of Property, Plant and Equipment and Intangible Assets*

The Company estimates the useful lives of property, plant and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

(f) *Measurement of Fair Value of Land*

The Company's land is carried at revalued amount at the end of the reporting period. In determining its fair value, the Company engages the services of professional and independent appraisers applying the relevant valuation methodology.

When the appraisal is conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(g) A significant change in these elements may affect prices and the value of the assets.

(h) *Determination of Realizable Amount of Deferred Tax Assets*

The Company 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. Management assessed that the deferred tax assets recognized as at March 31, 2020, will be fully utilized in the coming years. The carrying values of deferred tax assets netted against deferred tax liabilities as of those reporting periods.

(i) *Impairment of Non-financial Assets*

Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(j) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

4. SEGMENT REPORTING

4.1 *Business Segments*

The Company is organized into business units based on its products for purposes of management assessment of each unit. For management purposes, the Company is organized into three major business segments, namely: compounds, pipes and roofing. These are also the basis of the Company in reporting to its chief operating decision-maker for its strategic decision-making activities.

The products under the compounds segment are the following:

- Polyvinyl Chloride (PVC) compounds for wires and cable; and,
- PVC for bottles, integrated circuit tubes packaging and films.

The products under the pipes segment are the following:

- PVC pipes and fittings;
- Polypropylene Random Copolymer Type 3 pipes and fittings; and,
- High-density Polyethylene pipes and fittings.

The product under the roofing segment is only the unplasticized PVC roofing material.

The Company's products are located in Guiguinto, Bulacan; Davao branch, Cebu branch and Valenzuela branch.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of trade and other receivables and inventories, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables. Segment assets and liabilities do not include deferred taxes and tax liabilities.

4.3 Intersegment Transactions

Segment revenues, expenses and performance do not include sales and purchases between business segments.

4.4 Disaggregation of Revenues

When the Company prepares its investor presentations and when the Company's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting. The Group determines that the categories used in the investor presentations and financial reports used by the Company's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

5. Post-employment Defined Benefit Plan

(a) Characteristics of Post-employment Defined Benefit Plan

The Company maintains a tax-qualified, partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees. The Company conforms with the minimum regulatory benefit of Republic Act 7641, *The Retirement Pay Law*, which is of a defined benefit type and provides for a lump sum

retirement benefit equal to 22.5-day pay for every year of credited service. The normal retirement age is 60 with a minimum of five years of credited service.

(b) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(c) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan.

(i) *Sensitivity Analysis*

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

A large portion of the plan assets as of March 31, 2020 and December 31, 2019 consists of debt securities and readily available cash and cash equivalents, pending

placement in investments with balanced risks and rewards optimization. The Company also has UITF for liquidity purposes.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The Company has yet to decide the amount of contribution to the retirement plan for the succeeding year.

The Company is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Company's discretion. However, in the event a benefit claim arises and the plan assets are insufficient to pay the claim, the shortfall will be due, demandable and payable from the Company to the plan assets.

6. RELATED PARTY TRANSACTIONS

The Company's related parties include entities under common ownership, stockholders and key management personnel as described below.

6.1 Sale of Goods

The Company sells finished goods to related parties under common ownership. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods, which are generally noninterest-bearing, unsecured and settled through cash within three to six months, are presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position.

6.2 Purchase of Goods and Services

Goods and services are purchased on the basis of the price lists in force with non-related parties. The related outstanding payables for goods and services purchased in 2019 and 2018 are presented as part of Trade payables under the Trade and Other Payables account in the statements of financial position. The outstanding payables from purchase of goods and services are generally noninterest-bearing, unsecured and settled through cash within three months.

The Company acquires the services of Husky Plastics Corporation (Husky), a related party under common ownership, for the conversion of its pipe fittings. The Company provides its own raw materials to Husky for processing into finished goods. Once the processing is completed, the Company records the amount paid for the services of Husky as part of the finished goods based on the billings received. The basis of the price charged to the Company is in line with Husky's prevailing market rates.

6.3 Lease of Properties

The Company entered into a lease agreements with a related party under common ownership covering its office spaces and warehouse with lease terms ranging from two to five years.

The related deposit, which is refundable at the termination of the lease term, is presented as part of Security deposits under Other Non-current Assets account in the statements of financial position.

7. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

7.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under non-cancellable operating leases covering its warehouse and office spaces. The lease for warehouse has a term of three years and includes annual escalation rate of 10.00%, while the leases for office space have terms of three to five years with escalation rates ranging from 5.00% to 10.00%. All leases have renewal options.

7.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. As of March 31, 2020 and December 31, 2019, management and its legal counsel are of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

8. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by its BOD, and focuses on actively securing the Company's closely short-to-medium term cash flows by minimizing the exposure to financial markets.

The 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 Company is exposed to are described below and in the succeeding pages.

8.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions.

(b) Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. At March 31, 2020 and December 31, 2019, the Company is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

8.2 Credit Risk

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. None of the financial assets are secured by collateral or other credit enhancements except for cash and cash equivalents and certain trade receivables with entrusted and on hand post-dated checks issued by the customers.

(a) Cash

The credit risk for cash is considered negligible, since bank deposits are only maintained with reputable financial institutions, as a matter of Company's policy. Included in cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables. Advances to officers and employees have been assessed separately and individually wherein management determined that there is no required ECL to be recognized since collections are made on a monthly basis or through salary deductions within a period of one year or less.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

(c) Security deposits

With respect to refundable security deposits, management assessed that these financial assets have low probability of default since the Company has operating lease contracts as lessee with the counterparty lessors. The Company can apply such deposits to future lease payments in case it defaults.

8.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments, if any, for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Company's management considers that the carrying values of the foregoing financial assets and financial liabilities approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

8.4 Offsetting Financial Assets and Financial Liabilities

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Company and counterparties (i.e., related parties) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

By default, the Company does not elect to settle financial assets and financial liabilities with counterparties through offsetting. Gross settlement is generally practiced.

9. FAIR VALUE MEASUREMENTS AND DISCLOSURES

9.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

The Company has no financial assets or financial liabilities measured at fair values.

9.2 Fair Value Measurement for Non-financial Assets

The fair value of the Company's land amounting to P158.5 million as of March 31, 2020 and December 31, 2019 is classified under Level 3 in the fair value hierarchy. The Level 3 fair value of land was derived using market comparable approach that reflects recent transaction prices for similar properties in nearby locations, adjusted for key attributes such as property size, age, condition and accessibility of the land. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

There has been no change to the valuation techniques used by the Company during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

10. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurate with the level of risk. The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

There were no internally and externally imposed capital requirements to be complied with as of March 31, 2020 and December 31, 2019.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

EXHIBIT 6

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

Results of Operation

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of September 30, 2020 versus September 30, 2019

Sales Revenues decreased by 28.16% from P 1.10B to P790.37 or by P 309.88M. This was due to the decrease in both domestic and export sales as a result of the government safety guidelines against COVID-19 pandemic. Enhanced Community Quarantine (ECQ) which commenced on March 17, 2020. The partial resumption of operations started only on the third week of May under General Community Quarantine (GCQ), with restrictive guidelines. GCQ remained in force up to this date. There was slow resumption of customer orders under uncertain business climate.

Cost of Sales decreased by 28.77%, with the decrease in Sales Revenues, from P776.60M to P553.17M .

Other operating expenses decreased by P 14.21M or 10.75% from P 132.23M to P 118.02M. While minimal to zero selling and marketing expenses were incurred during ECQ months, there were fixed expenses recognized on the same period such as depreciation, utilities and insurance premium amortization. This explains the slower decline in operating expenses compared to sales revenues.

Other Charges (net), which included foreign exchange loss, finance costs, net of interest income and other miscellaneous income, increased by P4.37M or 304.16% from P1.44M to P5.80M due to recognition of interest on finance lease on lease agreements in compliance with PFRS 16. This was also due to the foreign exchange losses resulting from depreciation of peso against US dollar on our on importations and export sales. A provision for impairment loss on overdue trade receivable was also recognized during the period amounting to P1.27M.

Tax expense decreased by P22.75M or by 39.76% from P57.20M to P34.46M due to lower net profit before tax.

Financial Condition

Review of financial condition as of September 30, 2020 compared with financial condition as of December 31, 2019

Cash and cash equivalents increased by P61.68M or 109.25% from P56.46M to P118.13M. This is primarily due to lower purchases of raw materials and supplies.

Trade and Other Receivables increased by P47.79M or 18.70% from P255.57M to P303.36M due to very slight improvement of sales revenues for the third quarter compared with previous quarters of 2020 under ECQ resulting to higher trade receivables as at period end. This was also

due to advances to suppliers for the importation of machineries and raw materials which were not yet received by the company as at period end.

Inventories decreased by P63.23M or 12.75% from P495.99M to P432.76M. This was also due to lockdown and government safety guidelines against COVID-19 pandemic which resulted to lesser raw materials and supplies purchases and minimal manufacturing operations starting March 17, 2020 up to mid May 2020.

Prepayments and other current assets decreased by P13.97M or 11.79% primarily due to lower input tax resulting from lesser purchases of raw materials and supplies.

Right of Use Assets - net decreased by P4.49M or 10.33% from P43.44M to P38.95M due to recognition of depreciation expense on the right of use assets.

Other non-current assets decreased by P1.96M or 16.43% from P11.95M to P9.99M due to amortization of deferred input tax balance on purchase of capital goods.

Trade and other payables decreased by P51.88M or 18.45% from P281.25M to P229.36M due to reduced raw materials purchases starting March as some divisions of the Company's operations were temporarily halted during ECQ months.

Loans and mortgage payable decreased by P2.38M or by 75.26% due to partial settlement of vehicle loans.

Current Lease Liability, arising from contract that contains lease relating to right of use assets, decreased by P2.89M or 62.49% from P4.62M to P1.73M resulting from amortization of financial lease.

Post employment retirement payable increased by P2.44M or 35.78% from P6.83M to P9.28M due to additional provision for retirement benefit.

Treasury Stocks transactions started in March 2019 with reference to the approved Share Buy-Back program of the company filed with PSE on December 5, 2018. The amount of P40.77M was incurred as at end of the period.

Retained Earnings increased by P54.47M or 13.34% due to Net Profit after tax during the period, net of payment of cash dividend amounting to P24.44M.

Material Changes as of September 30, 2020 Financial Statements

Statement of Financial Position

(Increase/decrease of 5% or more versus December 31, 2019)

109.25% increase in cash and cash equivalents
Due to lower purchases of raw materials and supplies.

18.70% increase in trade and other receivables
Due to very slight improvement of sales revenues for the third quarter compared with the previous quarter of 2020. This was also due to advance payments made to suppliers for the importation of machineries and raw materials.

12.75% decrease in inventories

Due to lesser purchases of raw materials during the lockdown and government guidelines against COVID 19 and minimal manufacturing operations starting mid March 2020. Limited operations started only on the third week of May under the GCQ, until this date..

11.79% decrease in prepayments and other current assets

Primarily due to lower input tax resulting from lesser purchases of raw materials and supplies

10.33% decrease in right of use assets - net

Due to recognition of depreciation expense on the right of use assets

16.43% decrease in other non-current assets

Due to amortization of deferred input tax balance on purchase of capital goods.

18.45% decrease in trade and other payables

Due to reduced raw materials purchases in March as some divisions of the Company's operations were temporarily halted during ECQ months.

75.26% decrease in loans and mortgage payable

Due to partial settlement of vehicle loans.

62.49% decrease in lease liability-current,

Due to amortization of lease liabilities based on lease terms.

35.78% increase in post employment retirement payable

Due to additional provision for retirement benefit.

13.34% increase in retained earnings

Due to net profit after tax for the period

Statement of Income

(Increase/decrease of 5% or more versus September 30, 2019)

28.16% decrease in sales revenue

Due to government safety guidelines against COVID-19 pandemic under ECQ, which commenced on March 17, 2020 until partial resumption of operations under GCQ which started on the third week of May

28.77% decrease in cost of goods sold

Due to decrease in sales revenues

10.75% decrease in other operating expenses

Due to minimal to zero selling and marketing expenses while incurring fixed expenses such as depreciation, electricity and insurance premium amortization during ECQ months.

304.16% increase in other Charges (net)

Due to recognition of interest on finance lease on lease agreements in compliance with PFRS 16, foreign exchange losses resulting from depreciation of peso against US dollar and due to recognition of impairment loss on overdue trade receivable

39.76% decrease in tax expense

Due to lower sales revenues resulting to lower net profit before tax

There are no other significant changes in the Company's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition of the Company.

There are no known trends or demands, commitments, events or uncertainties that would result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

The Company has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

The unaudited interim financial statements do not include all the information or disclosure required in the financial statements and should be read in conjunction with the Company's audited annual financial statements as of and for the year ended December 31, 2019.

The accounting policies and methods of computation adopted in preparation of the Company's unaudited interim financial statements are the same with the most recent audited annual financial statements for the year ended December 31, 2019.

There were no known material events subsequent to the end of the interim period that have not been reflected in the Company's Financial Statements as at the third quarter of 2020.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statements, the same in the current year financial statements as at the third quarter of 2020. There are no commitments, guarantees, and contingent liabilities that arise in the normal course of operations of the Company which are not reflected in the accompanying interim financial statements. The management of the Company is of the opinion that losses, if any, from these items will not have any material effect on its interim financial statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have material impact on the continuing operations of the Company.

Item 3 - Aging of Accounts Receivable

EXHIBIT 7

CROWN ASIA CHEMICALS CORPORATION

(Formerly Crown Asia Compounders Corporation)

Aging of Accounts Receivable

As of September 30, 2020

(Amounts in Philippine Pesos)

(UNAUDITED)

Type of Receivable	Balance	Current/ Not yet due	Over 30 Days	Over 60 days	Over 90 days	Over 120 days
a. Trade and Other Receivables-net	303,360,967	253,435,466	4,230,450	478,969	5,444,314	39,771,767

EXHIBIT 8**Item 4 – Key Performance Indicators****Key Performance Indicators**

LIQUIDITY RATIOS		
Key Indicators	September 30, 2020	December 31, 2019
Current ratio	3.93 : 1.00	3.21 : 1.00
Acid test ratio	1.73 : 1.00	1.08 : 1.00
Book value per share	2.01	1.93
SOLVENCY RATIOS		
Key Indicators	September 30, 2020	December 31, 2019
Debt to equity ratio	0.28 : 1.00	0.33 : 1.00
Asset to equity ratio	1.28 : 1.00	1.33 : 1.00
PROFITABILITY RATIOS		
Key Indicators	September 30, 2020	September 30, 2019
Earnings per share	0.13	0.22
Return on assets	5.02%	9.85%
Return on equity	6.55%	12.08%
Gross profit ratio	30.01%	29.42%
Net profit ratio	9.98%	12.07%

Notes:

1. Current Ratio (Current Assets/Current Liabilities)
To test the Company's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
Measures the Company's ability to pay its short-term debts from its most liquid assets without relying on inventory.
3. Book Value per Share (Equity/Shares Outstanding)
Measures the amount of net assets available to stockholders of a given type of stock.
4. Debt to Equity Ratio (Total Liabilities/Total Equity)
Measures the amount of total assets provided by stockholders
5. Asset to Equity Ratio (Total Assets/Total Equity)
Shows the relationship of the total assets to the portion owned by the stockholders.
Indicates the Company's leverage, the amount of debt used to finance the firm.
6. Earnings per Share (Net Profit/Shares Outstanding)
Reflects the Company's earning capability.
7. Return on Assets (Net Profit/Average Total Assets)
Indicates whether assets are being used efficiently and effectively to generate income
8. Return on Equity (Net Profit/Total Equity)
Measures Company's ability to generate income from its shareholders investment
9. Gross Profit Ratio (Gross Profit/Revenues)
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)
Measures the percentage of net income to sales

PART II--OTHER INFORMATION

There is no information not previously reported in a report on SEC Form 17-C.

SIGNATURES

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

CROWN ASIA CHEMICALS CORPORATION

Issuer

By:

A handwritten signature in black ink, appearing to read "Tita P. Villanueva", with a long horizontal flourish extending to the right.

TITA P. VILLANUEVA
SVP/Chief Financial Officer