MABUHAY VINYL CORPORATION

2020 Annual Stockholders' Meeting

Virtual Meeting

http://www.mvc.com.ph

June 18, 2020, 3:00 p.m.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF MABUHAY VINYL CORPORATION

To All Stockholders:

Notice is hereby given that the Annual Stockholders' Meeting ("Meeting") of Mabuhay Vinyl Corporation (the "Company") will be held on **18 June 2020, 3:00 p.m.** In the interest of the health and safety of the Company's stakeholders, the Meeting will be held virtually and a link to the virtual meeting will be posted on the Company website, http://www.mvc.com.ph, and will be disclosed on PSE Edge.

The Agenda for the Meeting shall be as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on 25 April 2019
5. President's Report
6. Ratification of the Corporate Acts of the Board of Directors, Officers and Management for the Period under Review
7. Presentation and Approval of the Y2019 Annual Report and Audited Financial Statements
8. Election of Directors for the year 2020-2021
9. Appointment of External Auditor for Fiscal Year 2020
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business hours of **20 May 2020** are entitled to notice of and to vote at the Meeting. Stockholders may attend and participate by remote communication or by appointing a proxy, such as the Chairman of the Meeting.

If you will be appointing a proxy, kindly date, sign, and deliver your proxy form to the Corporate Secretary on or before **08 June 2020** by email to **asm2020@mvc.com.ph.** Note that Management is not soliciting proxies.

Stockholders that will participate by remote communication should register by notifying the Company through email to **asm2020@mvc.com.ph** of their intent to participate by on or before **08 June 2020**. Stockholders may vote electronically or in absentia, subject to validation procedures. The guidelines for registration and for participation by remote communication is attached to this Notice and posted on the Company website.

Very truly yours,

MA. MELVA E. VALDEZ
Corporate Secretary

GUIDELINES IN PARTICIPATION
BY REMOTE COMMUNICATION
IN THE ANNUAL STOCKHOLDERS MEETING
OF MABUHAY VINYL CORPORATION
ON 18 JUNE 2020

1. Stockholders that intend to participate in the Annual Stockholders Meeting ("Meeting") by remote communication or by proxy must inform the Company their intention to do so by email at **asm2020@mvc.com.ph** on or before **08 June 2020**. Only stockholders of record that duly submitted their valid proxy or notified the Company their intention to participate by remote communication may vote at the Meeting.

2. For validation purposes, the email should include the following information of the stockholder: (i) full name; (ii) address; (iii) contact number, landline or mobile number, and (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address. Valid government issued IDs include the following: passport, driver's license, unified multi-purpose ID, SSS ID, senior citizen ID, among others. The provided information will be used solely for purposes of validating the identity of the stockholder.

3. For corporate stockholders, a copy of the Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the corporate stockholder should be sent by email as well. Similar to Item 2, the following information on the authorized representative should be provided in the email: (i) full name; (ii) address; (iii) contact number, landline or mobile number, and (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address.

4. Any data from stockholders or their authorized representative will be collected, stored, processed, and used exclusively for the purpose of electronic registration for the Meeting.

5. An online web address (URL) will be provided on the Company website, http://www.mvc.com.ph. Questions and comments may be sent via email prior to or during the meeting to asm2020@mvc.com.ph, and shall be limited to the items in the Agenda of the meeting.

6. The holders of common stocks are entitled to one vote per share. An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action, except as to the election of Directors. The holder of a

majority interest of all outstanding stock of the Company entitled to vote at the meeting shall constitute a quorum for the transaction of business.

7. In connection with the election of Directors, however, the system of cumulative voting will be followed. In cumulative voting, each stockholder is entitled to as many votes equal to the number of shares held by the stockholder at the close of business on the Record Date multiplied by the number of directors to be elected. A stockholder may cast all votes for a single nominee or may apportion such votes among any two or more nominees. The total number of votes cast shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.

8. For the convenience of the stockholders, we recommend to register early prior to the deadline on 08 June 2020. This is to allow sufficient time to address any concerns prior to the Meeting.

PROXY

The undersigned (hereinafter referred to as the "Principal"), being a stockholder of MABUHAY VINYL CORPORATION ("MVC"), hereby appoints and empowers Mr./Ms. _______________________________, as the proxy to act/vote in the Principal's name and stead at any and all meetings of the stockholders MVC until his replacement is duly appointed/empowered, or this proxy is terminated, by the Principal.

Done this ____ day of ______________ 2020 at ___________________ City, Philippines.

____
Stockholder

____
(authorized officer)
(indicate position)

Note: If the stockholder is a corporation, the proxy must be signed by an authorized officer of the corporation and must be supported with a Secretary's Certificate containing the Board Resolution on the authority of the officer to appoint the proxy.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-1S
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter: **MABUHAY VINYL CORPORATION**

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

4. SEC Identification Number: **PW00000216**

5. BIR Tax Identification Code: **000-164-009-000 VAT**

6. Address of Principal Office: Postal Code:

   3rd Floor Philamlife Building **1227**
   126 L. P. Leviste Street, Salcedo Village
   Makati City

7. Registrant's telephone number, including area code: **(02) 8817-8971 to 76**

8. Date, time and place of the meeting of security holders:

Date	:	**18 June 2020**
Time	:	**3:00 p. m.**
Location	:	Virtual Meeting via http://www.mvc.com.ph/investor-relations/asm
Registration	:	Email **asm2020@mvc.com.ph** on or before 08 June 2020

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **28 May 2020**

10. In case of Proxy Solicitations: NOT APPLICABLE

    Name of Person Filing the Solicitation Statement:
    Address and Tel. No. :

11. Securities registered pursuant to Section 8 and 12 of the Code or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**661,309,398**

12. Are any or all registrant's securities listed in a Stock Exchange?
    Yes __**X**__ No ____

    The common stocks are listed in the Philippine Stock Exchange.

A. GENERAL INFORMATION

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

(a) The Annual Stockholders' Meeting shall be held on:

Date	:	**18 June 2020**
Time	:	**3:00 p. m.**
Location	:	Virtual Meeting via http://www.mvc.com.ph/investor-relations/asm
Registration	:	Email **asm2020@mvc.com.ph** on or before 08 June 2020

Registrant's Complete Mailing Address:

MABUHAY VINYL CORPORATION
3rd Floor Philamlife Building
126 L. P. Leviste Street, Salcedo Village, Makati City

(b) This Information Statement and a copy of the Company's Management Report are to be sent to qualified stockholders of record on or before **28 May 2020**.

WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. Dissenter's Right of Appraisal

The matters to be discussed in the Annual Stockholders' Meeting subject of this Notice do not give rise to any appraisal right in favor of the stockholders.

Title X, Section 80 and Title IV, Section 41 of the Revised Corporation Code of the Philippines ("RCCP") allow a shareholder to exercise his right of appraisal in the following instances: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such shareholder or otherwise extend or shorten the term of the company; (2) in case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the company's properties; (3) in cases of merger or consolidation; or (4) in case the company decides to invest its funds in another corporation or business.

As required by Title X, Section 81 of the RCCP, a dissenting stockholder who voted against a proposed corporate act may exercise the right of appraisal, when available, by making a written demand on the corporation for the payment of the fair value of the shares held within thirty (30) days from the date on which the vote was taken.

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

No Director, Officer, or Nominee for election as Director of the Company, or associate of the foregoing has any substantial interest in any matter to be acted upon, other than election to office.

The Corporation has not received any information from any Director that he intends to oppose any matter to be acted upon in this year's Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) *Total Number of Shares Issued and Outstanding as of 30 April 2020*

	Shares Outstanding	No. of Vote Each Share Is Entitled
Common Shares held by:		
Filipino nationals	**39,297,588**	**One (1) vote per share**
Foreign nationals	**622,011,810**	**One (1) vote per share**
TOTAL	**661,309,398**	

(b) *Record Date*

All stockholders of record as of **20 May 2020** are entitled to notice of and to vote at the Annual Stockholders' Meeting.

(c) *Manner of Voting*

The holders of common stock are entitled to one (1) vote per share. With respect to the election of Directors, stockholders of record are entitled to as many number of votes equal to the number of shares he owns as of Record Date multiplied by seven (7), the number of Directors to be elected. The stockholder may (i) cast all votes in favor of one (1) nominee; or (ii) cast votes for as many Directors to be elected; or (iii) distribute the votes among as many nominees he shall see fit.

Stockholders may vote by remote communication or through proxy by appointing the Chairman of the meeting. Please refer to the Guidelines in Participation by Remote Communication in the Annual Stockholders' Meeting for information on voting by remote communication or by proxy.

(d) *Security Ownership of Certain Record and Beneficial Owners and Management*

(i) *Security Ownership of Certain Record and Beneficial Owners of more than 5% as of 30 April 2020*

The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than 5% of the registrant's voting securities as of 30 April 2020 are as follows:

Title of Class	Name, Address of record owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	**Tosoh Corporation ("Tosoh")** 4560 Kaisei-Cho, Shuunara-Shi, Yamaguchi 746-8501, Japan	Tosoh is both the record and beneficial owner. The right to vote or to direct the voting or disposition of the Corporation's shares held by Tosoh are lodged in its Board of Directors. The following are the representatives of Tosoh: Yasuhiro Fukuki Takahiro Machiba Barbara Anne C. Migallos Takayuki Nakamura	Japanese	581,785,835 ("r")	87.9748

Common	**Mitsubishi Corporation ("Mitsubishi")** 6-3 Marunouchi 2-Chome Chiyoda-Ku, Tokyo, Japan	Mitsubishi is both the record and beneficial owner. The right to vote or to direct the voting or disposition of the Corporation's shares held by Mitsubishi are lodged in its Board of Directors. Mr. Yasuhiro Fukuki is the representative of Tosoh.	Japanese	39,679,999	6.0001

(ii) Security Ownership of Directors and Management as of 30 April 2020:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership	Citizenship	Percentage (%) of Class
	Board of Directors:				
Common	Takahiro Machiba	Chairman/CEO	10,000 (d)	Jpn	0.0015
Common	Edwin Ll. Umali	Director/President/COO	6,410 (d)	Fil	0.0010
Common	Yasuhiro Fukuki	Director	10,000 (d)	Jpn	0.0015
Common	Jose O. Juliano	Independent Director	10,000 (d)	Fil	0.0015
Common	Barbara Anne C. Migallos	Director	5,000 (d)	Fil	0.0008
Common	Renato N. Migriño	Independent Director	5,629 (d)	Fil	0.0009
Common	Takayuki Nakamura	Director	5,000 (d)	Jpn	0.0008
		Total for Directors	**52,039**		**0.0080**

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership	Citizenship	Percentage (%) of Class
Executive Officers:					
Common Shares	Takahiro Machiba	Chairman & CEO/Director	-	Jpn	-
Common Shares	Edwin Ll. Umali	President & COO/Director	-	Fil	-
N/A	Michael S. Yu	Treasurer / VP-Corporate Planning	-	Fil	-
N/A	Ryo Kobayashi	VP-Finance	-	Jpn	-
N/A	Romeo G. Dela Cruz	VP-Marketing	-	Fil	-
N/A	Steve S.C. Pangilinan	VP-Manufacturing	-	Fil	-
		Total for Officers	**-**		**-**
		Total Shares of Directors, Executive Officers, and Management	**52,039**		**0.0080**

(iii) Voting Trust Holders of 5% or more

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

(iv) Change in Control

There are no arrangements that may result to a change in control of the Corporation. No change in control of the Corporation has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

(a) Directors

There are seven (7) members of the Board of Directors, two (2) of whom are Independent Directors. The term of office of each Director is one (1) year or from election at the Annual Stockholders' Meeting until the succeeding Annual Stockholders' Meeting and until his successor is elected and qualified. A Director who is elected to fill any vacancy in the Board of Directors during the interim will hold office only for the unexpired term of his predecessor. The following are the incumbent members of the Board of Directors:

1. Takahiro Machiba
2. Edwin Ll. Umali
3. Yasuhiro Fukuki
4. Jose O. Juliano – Independent Director
5. Barbara Anne C. Migallos
6. Renato N. Migriño – Independent Director
7. Takayuki Nakamura

A summary of qualifications of the incumbent Directors is attached as Annex "A".

The following are the members of the Nominations Committee for the year 2019 – 2020:

Mr. Jose O. Juliano, *Chairman*
Mr. Takahiro Machiba, *Member*
Atty. Barbara Anne C. Migallos, *Member*

During the meeting held on 27 February 2020, the Nominations Committee approved the following nominees for election to the Board of Directors at the upcoming Annual Stockholders' Meeting and said nominees have accepted their nomination:

1. Takahiro Machiba
2. Edwin Ll. Umali
3. Yasuhiro Fukuki
4. Jose O. Juliano – Independent Director
5. Barbara Anne C. Migallos
6. Renato N. Migriño – Independent Director
7. Takayuki Nakamura

Nominated as Independent Directors are Messrs. Jose O. Juliano and Renato N. Migriño. The Corporation will be electing only two (2) Independent Directors considering its size and operations. All nominees for Independent Directors were duly evaluated by the Nominations Committee and were found to be compliant with the guidelines on nomination and election of Independent Directors provided in Rule 38 of the Securities Regulation Code and the Corporation's Manual on Corporate Governance.

The nominees for Independent Directors were advised of SEC Memorandum Circular No. 5, Series of 2017 regarding the required Certificate of Qualification of Independent Directors. They were likewise informed of SEC Memorandum Circular No. 15, Series of 2017 on the term limits of Independent Directors. None of the nominees for Independent Directors have served beyond the maximum cumulative term of nine (9) years.

Messrs. Jose O. Juliano and Renato N. Migriño were nominated as Independent Directors by Mr. Edwin Ll. Umali and Atty. Barbara C. Migallos, respectively. The nominees are not related to the respective nominating stockholder.

(b) Executive Officers

The Company's key executive officers as of 30 April 2020 are as follows:

Takahiro Machiba	- Chairman, Chief Executive Officer
Edwin Ll. Umali	- President, Chief Operating Officer
Michael S. Yu	- Treasurer, Vice President ("VP") - Corporate Planning
Ryo Kobayashi	- VP-Finance
Romeo G. Dela Cruz	- VP-Marketing
Steve S.C. Pangilinan	- VP-Manufacturing
Ma. Melva E. Valdez	- Corporate Secretary, Compliance Officer
Stephanie N. Dysangco	- Assistant Corporate Secretary

Consistent with the Corporation's By-laws, the Executive Officers are elected or appointed annually by the Board of Directors during its Organizational Meeting held following the Annual Stockholders' Meeting. The Executive Officers each hold office for one (1) year until the next Organizational Meeting of the Board of Directors in the following year and until a successor shall has been elected or appointed and has duly qualified.

For a summary of qualifications of each of the Executive Officers, please refer to the attached Annex "A" (pages 14 to 16).

(c) Significant Employees

The contribution of each of the Corporation's employees is valued. The Corporation relies significantly on the collective efforts of its senior Executive Officers and expects each employee to do his share in achieving the Corporation's goals.

(d) Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among Directors; Executive Officers; persons nominated, appointed, or elected by the Corporation to become Directors, Executive Officers, security holders of certain record, beneficial owner, or member of Management.

(e) Certain Relationships and Related Transactions

The Corporation, in its regular conduct of business, entered into transactions with related parties which are mostly for the purchase and sale of inventories and lease agreements. The transactions were made on an arm's length basis and at current market prices at the time of the transactions. The related party transactions of the Corporation are discussed in the Notes to the Consolidated Financial Statements (pages 47 to 49).

The Corporation's Directors, Executive Officers, employees, and other related parties are required to promptly disclose any business and family-related transactions with the Corporation to ensure that potential conflicts of interest are identified and brought to the attention of management.

(f) Involvement in Certain Legal Proceedings

As of 30 April 2020, to the knowledge the Corporation, none of the Company's Directors or Executive Officers have been involved in any legal proceedings during the last five (5) years that are material to an evaluation of their ability or integrity to act as such.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders due to disagreement with the registrant on any matter relating to the registrant's operations, policies and practices.

To the knowledge of the Corporation, none of the Directors and Executive Officers of the Corporation is involved in any of the following in the past five (5) years:

(i) A bankruptcy petition by or against any business of which a such person was a general partner or Executive Officer either at the time of the bankruptcy or within two (2) years prior to that time;
(ii) A conviction by final judgement in a criminal proceeding, domestic or foreign, or is being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
(iii) An order, judgement, or decree, not subsequently reversed, suspended, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; nor
(iv) A conviction by a domestic or foreign court of competent jurisdiction in a civil action, the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated securities or commodities law or regulation, and the judgement has not been reversed, suspended, or vacated.

Item 6. Compensation of Directors and Executive Officers

(a) Summary Compensation Table

The following table summarizes the compensation of the Chief Executive Officer ("CEO") and five most highly compensated Executive Officers of the Corporation and the aggregate compensation of all Directors and Officers as a group for the last two completed fiscal years, and their estimated aggregate compensation for the present fiscal year.

SUMMARY COMPENSATION TABLE
Annual Compensation (in Pesos)

Name & Principal Position	Year	Salary	Bonus	Other Compensation
CEO and five most highly compensated Executive Officers: **Takahiro Machiba** *Chairman / CEO* **Edwin Ll. Umali** *President / COO* **Michael S. Yu** *Treasurer / VP-Corporate Planning* **Ryo Kobayashi** *VP-Finance* **Steve S.C. Pangilinan** *VP-Manufacturing*	2020 (Projected)	10,246,754	2,512,137	875,307
	2019	9,758,814	2,392,512	833,626
	2018	9,394,796	1,634,670	846,543
All Directors and Executive Officers As A Group	2020 (Projected)	10,246,754	2,512,137	1,505,307
	2019	9,758,814	2,392,512	1,433,626
	2018	9,394,796	1,634,670	1,474,043

(b) Standard Arrangements

Each member of the Board of Directors receives a per diem of Ten Thousand Pesos (PhP10,000.00) per meeting of the Board of Directors. Independent Directors receive quarterly miscellaneous allowances. The Directors and Executive Officers do not receive any regular bonus and are not entitled to a percentage of the Corporation's profits.

The Corporation has a registered non-contributory retirement plan. All regular employees, including the Executive Officers, are covered by the retirement plan.

No warrants or options on the Corporation's shares of stock were issued or given to the Directors and Executive Officers as a form of compensation of services rendered.

During the last two (2) years, no director of the Corporation has received or become entitled to receive any benefit by reason of any contract with the Corporation, a related corporation, a firm of which the Director is a member or a corporation of which a director has a substantial financial interest.

There are no transactions in the last two (2) years or proposed transactions to which the registrant was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

i. Any Director or Executive Officer of the Corporation;
ii. Any nominee for election as a Director;
iii. Any security holders;
iv. Any member of the immediate family of the preceding persons.

Item 7. Independent Public Accountants

(a) Reappointment of External Auditor

The Corporation's External Auditor is the auditing firm of SyCip Gorres Velayo & Co. ("SGV") and is being recommended by the Board of Directors and the Audit Committee for reappointment and approval by the stockholders for the fiscal year ended 2020 for a fee of PhP700,000.00, exclusive of VAT and out-of-pocket expenses.

The auditing partner in charge for the financial year ended 31 December 2019, Mr. Manolito R. Elle, was appointed in 15 February 2018. Consistent with Rule 68, paragraph 3(b)(iv) of the Amended Implementing Rules and Regulations of the Securities Regulation Code ("SRC") regarding the rotation of external auditors, there is no need to change the audit partner for the Corporation.

During the two (2) most recent fiscal years or any subsequent interim period, the independent auditor has not resigned nor was dismissed or has declined to stand for reappointment after the completion of the current audit.

Representatives from SGV are expected to be present at the Annual Stockholders' Meeting, where they will have the opportunity to make a statement, if they so desire. They will also be available to respond to appropriate questions raised by stockholders.

(b) Audit and Audit-Related Fees

The aggregate annual external audit fees billed for each of the last two (2) fiscal years for the audit of the Corporation's annual financial statements and audit services normally provided by the external auditor are as follows:

For the year 2018- P783,720 (billed and paid in 2019)
For the year 2019- P791,535 (billed and paid as of April 2020)

The audit fees described above include the following: (a) audit, other assurance, and related services by the External Auditor that are reasonably related to the performance of the audit or review of the Company's financial statements (P700,000); and (b) All Other Fees, including estimated out of pocket expenses paid by the Company as of April 2020 (P91,535).

The Company engaged the services of SGV to handle the open tax assessment conducted for the Corporation covering the years 2012 and 2017. Total fees billed and paid by MVC related to this service for the year 2019 and 2018 amounted to P654,515 and P1,010,000, respectively.

(c) The Audit Committee's approval of policies and procedures for the above services

The Audit Committee has the function of assessing the independence and professional qualifications of the external auditor, in compliance with the requirements under applicable law, rules and regulations; reviewing the performance of the external auditors; and recommending to the

Board of Directors the appointment or discharge of external auditors as well as reviewing and approving audit related and non-audit services to be rendered by external auditors. Prior to the commencement of the audit, the Audit Committee shall discuss, review and recommend with the external auditors the nature, scope and fees of the audit, and ensure proper coordination, if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

The following are the members of the Audit Committee for the year 2019 – 2020:

Dr. Jose O. Juliano, *Chairman*
Mr. Takahiro Machiba, *Member*
Mr. Renato N. Migriño, *Member*
Atty. Barbara Anne C. Migallos, *Member*

Item 8. Compensation Plans

No action will be presented for stockholders' approval at this year's Annual Stockholders' Meeting with respect to any plan wherein cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES (Items 9 to 14)

No action will be presented for stockholders' approval at this year's Annual Stockholders' Meeting that involves any of the following: (a) authorization or issuance of securities other than for the Exchange; (b) modification or exchange of the class of securities; (c) merger, consolidation, acquisition of securities of another person, sale or transfer of all or any substantial part of the assets of the Corporation; (d) liquidation or dissolution of the Corporation; or (e) restatement of any of the Corporations' assets, capital, or surplus accounts.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Approval of the Minutes of the Annual Stockholders' Meeting on 25 April 2019

The Minutes of the Annual Stockholders' Meeting held on 25 April 2019 will be submitted for approval of the stockholders. For the convenience of the stockholders, copies of the Minutes will be made available for inspection or review at the Annual Stockholders' Meeting.

The following were significant matters discussed at the 25 April 2019 Annual Stockholders' Meeting:

(i) The Minutes of the Annual Stockholders' Meeting held on 26 April 2018;
(ii) The President's Report;
(iii) Ratification of corporate acts and proceedings of the Board of Directors, Officers, and Management;
(iv) The Annual Report and Audited Financial Statements for the Fiscal Year 2018;
(v) Election of Directors, including Independent Directors; and
(vi) Appointment of External Auditor for Fiscal Year 2019.

The approval of the Minutes refers to the correctness of the Minutes and will not constitute an approval or disapproval of the matters stated in the Minutes.

(b) Approval of the Management Report and Financial Statements for the period ended 31 December 2019

Management will report on the significant business transactions, financial targets, and achievements for the fiscal year 2019.

Item 16. Matters Not Required to be Submitted

The acts of the Board of Directors, Executive Officers, and Management during the fiscal year 2019 will be presented for ratification of the stockholders. These acts include resolutions regarding the usual course of business of the Corporation, including the opening of bank accounts and the designation of authorized signatories for various commercial transactions.

Item 17. Amendment of Charter, By-laws, or Other Documents

No action will be presented for stockholders' approval at this year's Annual Stockholders' Meeting with respect to any amendment of the Corporation's charter, by-laws, or other documents.

1. Election of Directors including Independent Directors for Y2020-Y2021.
2. Appointment of External Auditor for fiscal year ending 31 December 2020.

Item 18. Other Proposed Action

(a) Election of Directors

Seven (7) Directors will be elected, including the Independent Directors, for the year 2020 to 2021.

(b) Appointment of External Auditor

The External Auditor will be appointed for the fiscal year 2020.

Item 19. Voting Procedure

An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action, except as to the election of Directors. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting, in person or by proxy, shall constitute a quorum for the transaction of business. Only written proxies signed by the stockholders and duly presented to the Corporate Secretary on or before 11 June 2020 shall be honored for purposes of voting.

The holders of common stocks are entitled to one vote per share. In connection with the election of Directors, however, the system of cumulative voting will be followed. In cumulative voting, each stockholder is entitled to as many votes equal to the number of shares held by the stockholder at the close of business on the Record Date multiplied by the number of directors to be elected. A stockholder may cast all votes for a single nominee or may apportion such votes among any two or more nominees. The total number of votes cast shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.

All votes shall be cast and counted by the Corporate Secretary, assisted by the External Auditor. Stockholders may vote by remote communication or through proxy by appointing the Chairman of the meeting. Please refer to the Guidelines in Participation by Remote Communication in the Annual Stockholders' Meeting for information on voting by remote communication or by proxy.

Upon the written request of the stockholder, the Company undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge, except for exhibits attached thereto which shall be charged at cost. Please direct all requests to the Corporate Secretary, Atty. Ma. Melva E. Valdez, at the following address: *Mabuhay Vinyl Corporation, 3rd Floor Philamlife Building, 126 L.P. Leviste Street, Salcedo Village, Makati City.* The written request may also be sent electronically to asm2020@mvc.com.ph.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 15 May 2020.

MABUHAY VINYL CORPORATION
By:

MA. MELVA E. VALDEZ
Corporate Secretary

ANNEX “A”

INCUMBENT BOARD OF DIRECTORS, EXECUTIVE OFFICERS, AND NOMINEES:

1. **TAKAHIRO MACHIBA -** 49, Japanese

   Graduated from Sophia University, Japan, Faculty of Economics

   Positions held: Chairman of the Board and Director [June 2018 to present] of Mabuhay Vinyl Corporation; President [June 2018 to present] Philippine Resins Industries, Inc.; Organic Chemical Division, Tosoh (Shanghai) Co. Ltd. [2007-2012]; Corporate Planning, Tosoh Corporation [2007]; Chlor-alkali Division, Tosoh Corporation [2002]; Accounting Department, Tosoh Corporation [1994].

2. **EDWIN LL. UMALI -** 64, Filipino

   B.S. in Industrial Management Engineering, minor in Mechanical Engineering, De La Salle University

   Positions held: President and Chief Operating Officer since 1999 and Director since 1997 of Mabuhay Vinyl Corporation; Director [1999-2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015, 2017, 2019] Tosoh Polyvin Corporation; Chairman [2011 to present] New Golden Mix Feeds Corporation; Co-Chairman [2017 to present] and Trustee [2010 to present] Philippines-Japan Economic Cooperation Committee; Director [2006 to March 2014] Federation of Phil. Industries; Member [2002 to present] Philippine Business for Social Progress Luzon Regional Committee; Director [1996-2009] Chemical Industries Association of the Philippines (SPIK); Member [1996 to present] Management Association of the Philippines-MAP; EVP & COO [1996-1999] Mabuhay Vinyl Corporation; President [1999-2001] Chemical Industries Association of the Philippines (SPIK); Director [2000-2001] Phil. Resins Industries Inc.; Adviser [1996] Phil. Plastics Industries Association.

3. **YASUHIRO FUKUKI -** 49, Japanese

   Graduated from Tohoku University, Japan, Faculty of Economics

   Positions held: Director [May 2019 to present], Mabuhay Vinyl Corporation; Division Head, Petroleum, Chemicals & Industrial Materials Division [May 2019 to present], Mitsubishi Corporation, Manila Branch; Inorganic Chemicals Dept., Basic Chemicals Division [April 2017], Mitsubishi Corporation, Tokyo; Functional Materials Dept., Functional Chemicals Division [May 2008], Mitsubishi Corporation, Tokyo; [August 2003] - Mitsubishi Corporation, Kansai Branch; [March 1999] – PT. Peroksida Indonesia Pratama; [February 1998] – Inorganic Chemicals Dept., Mitsubishi Corporation, Tokyo; [April 1995] – Mitsubishi Corporation, Kansai Branch; [April 1992] – Inorganic Chemicals Dept., Mitsubishi Corporation, Tokyo Head Office.

4. **JOSE O. JULIANO -** 87, Filipino

   B.S. Agriculture, University of the Philippines; MS in Chemistry, Louisiana State University, USA, Ph.D. in Chemistry, University of California, USA; Post-doctorate, Department of Physics, Indiana University, Bloomington, Indiana, USA; Post-doctorate, Nuclear Reactor Physics Department, Argonne National Laboratory, Lemont Illinois, USA.; IAEA Fellow to Yavne Research Reactor Facility, Israel Atomic Energy, Israel

   Positions held: Independent Director, Chairman of both Audit and Nominations Committee, [May 2001 to present] Mabuhay Vinyl Corporation; President & CEO [1999 to present] Calamba Medical Center; President and General Manager,[1985-1995] Interphil Laboratories, President [1994-1996] Marsman Laboratories, Vice President for Operations [1981-1983] Bristol Myers Group of Companies in the Philippines, Chairman of the Board [2015 to present] the Medical City South Luzon; Independent Director, Luzon Development Bank [2014 to present]; President and CEO, [1999 to present] Calamba Eye Center; President & CEO

[2004-2014] Southern Luzon Hospital and Medical Center; Trustee [2004-2010] Zuellig Foundation, Inc.; Secretary & Member of the Executive Council [1993-2002] National Academy of Science & Technology (NAST); Secretary and Trustee [1993-2003] NAST Foundation; Undersecretary for Trade [1996-1998] Dept. of Trade & Industry; Chairman, Board of Chemistry [1993-1996] Professional Regulation Commission; General Production Manager [1977-1981] Lever Division, Philippine Refining Co. Inc. (now Unilever Philippines); General Development Manager [1972-1977] Lever Division, Philippine Refining Co. Inc. (now Unilever Philippines).

5. **BARBARA ANNE C. MIGALLOS -** 65, Filipino

   Bachelor of Laws, University of the Philippines

   Positions held: Director since August 2000 of Mabuhay Vinyl Corporation; Managing Partner, [2006 to present] Migallos & Luna Law Offices; Director [2001 to present] Phil. Resins Industries, Inc.; Director [2013 to present] Philex Mining Corporation; Corporate Secretary [1998 to present] Philex Mining Corp; Professional Lecturer [2012 to present] De La Salle University, College of Law; Director [2010-2017]; Corporate Secretary [since 2007], PXP Energy Corporation; Corporate Secretary [since 2010] Nickel Asia Corporation; Cordillera Exploration Co., Inc.; Director [2013 to present] Philex Gold Phils. Inc.; Corporate Secretary, Philex Gold Phils. Inc.; Corporate Secretary [2005 to present] Eastern Telecommunications, Philippines, Inc.; Corporate Secretary, [2005 to present] Emerging Power Inc.; Corporate Secretary, [2015 to present] Alliance Select Foods International Inc.; Senior Partner [1988-2006] / Managing Partner [2000-2005], Roco, Kapunan, Migallos & Luna Law Offices.

6. **RENATO N. MIGRIÑO -** 70, Filipino

   BSC, Accounting, Philippine College of Commerce (now Polytechnic University of the Philippines)

   Positions held: Director since 2005, Mabuhay Vinyl Corporation; Treasurer since January 2015, Apex Mining Co., Inc.; Director and Treasurer since 2018, Monte Oro Resources & Energy, Inc.; Director and Treasurer since January 2019, A Brown Company, Inc.; Director and Treasurer [2011 to 2014], Philex Petroleum Corporation; Treasurer, Chief Financial Officer, Senior Vice-President - Finance and Compliance Officer, last position held [March 1998 to August 2013], Philex Mining Corporation; Director and Treasurer [to 2013], FEC Resources Inc. [in Canada]; Director and Treasurer [to January 2014], Fidelity Stock Transfers, Inc.; Senior Vice-President & Controller, last position held [1975-1998], Benguet Corporation; Senior Auditor, last position held [1970-1975], Sycip, Gorres, Velayo & Co.

7. **TAKAYUKI NAKAMURA -** 43, Japanese

   Graduated from Waseda University, Japan, Department of Law

   Positions held: Director since 2016 of Mabuhay Vinyl Corporation; Manager, Corporate Strategy, [June 2016] Tosoh Corporation Tokyo Head Office; Manager, [Sep 2011] Tosoh Shanghai Co.,Ltd.; Chlor-alkali Division [June 2000] Tosoh Corporation Tokyo Head Office.

8. **MICHAEL S. YU** - Treasurer/Vice-President, Corporate Planning

   45, Filipino, B.S. Chemical Engineering, De La Salle University; Master in Business Administration, Ateneo de Manila University

   Positions held: Vice-President, Corporate Planning since May 2017 and Treasurer since 2011; Assistant Vice-President, Corporate Planning [July 2009 to April 2017]; Head of Makati Purchasing [Aug 2004-2010]; Senior Manager, Corporate Planning, [2006-2009]; Corporate Planning, IT, Business Development Manager, [2004-2005]; Corporate Planning Officer, [1999-2001]; and Corporate Planning Engineer, [1997-1999].

9. **RYO KOBAYASHI** - Vice-President, Finance

40, Japanese, Bachelor of Laws, Chuoh University Japan, Masters in Law, Graduate School of Hitotsubashi University, Japan

Positions held: Vice-President, Finance since October 2015; Synthetic Rubber, Functional Polymers [June 2012], Tosoh Corporation; Planning and Business Development, Organic Chemical Division [May 2008] Tosoh Corporation; Accounting Department [May 2004] Nanyo Complex, Tosoh Corporation.

10. **ROMEO G. DELA CRUZ** - Vice-President, Marketing

52, Filipino, B.S. Chemical Engineering, Mapua Institute of Technology; Master in Business Administration (completed academic requirements), De La Salle University

Positions held: Vice-President, Marketing since July 2015; Assistant Vice-President, Marketing [May 2008 to June 2015]; Area Sales Manager - Luzon [July 2004 to April 2008]; Head of Logistics/Regional Sales Manager for Luzon [Jan 2002 to June 2004]; Area Sales Manager for Luzon/Distribution Manager [Feb 1998 to Dec 2001]; Distribution Manager [Jan 1995 to Jan 1998]; Corporate Planning Engineer/Technical Specialist [July 1993 to Dec 1994]; Marketing Technical Assistant [July 1991 to June 1993]; Market Researcher & Technical Service Assistant [June 1989 to June 1991].

11. **STEVE S.C. PANGILINAN** - Vice-President, Manufacturing

53, Filipino, B.S. Chemical Engineering, University of San Carlos-Technological Center, Cebu City; Master in Business Administration, Ateneo de Cagayan-Xavier University

Positions held: Vice-President, Manufacturing since July 2015; Assistant Vice-President, Manufacturing [May 2013 to June 2015]; Manufacturing Manager [Nov 2009 to April 2013]; Production Manager [June 2003 to Oct 2009]; Shift Manager [Oct 1998 to May 2003]; Production Engineer [Jan 1995 to Sept 1998]; Section Supervisor – Liquid Chlorine Plant [June 1992 to Jan 1995]; Industrial Engineer [Nov 1989 to June 1992]; Temporary Cadet Engineer [May 1989 to Nov 1989].

12. **MA. MELVA E. VALDEZ** - Corporate Secretary

60, Filipino, Bachelor of Arts in Political Science and Bachelor of Laws, University of the Philippines

Positions held: Corporate Secretary since 1997 of Mabuhay Vinyl Corporation; Senior Partner [since 1998] and Management Committee Member, JGLaw Offices; Corporate Secretary/Director since 1998 Keppel Phils. Holdings, Inc.; Corporate Secretary since 1998 Keppel Phils. Marine, Inc., Keppel Phils. Properties, Inc., SM Keppel Land Inc. and Asian Institute of Management; Corporate Secretary since 2004 Keppel Subic Shipyard, Inc.; Director/Corporate Secretary of various Keppel affiliates and subsidiaries; Director since December 2000 Leighton Contractors Phils., Inc.; Director/Chairman/President since September 2000 Servier Philippines, Inc.; Corporate Secretary of Calamba Medical Center, Inc. and Calamba Cancer Center, Inc.; Incoming Deputy Chair, Membership Committee of Inter-Pacific Bar Association (IPBA); and Treasurer of UP Women Lawyers Circle (WILOCI).

13. **STEPHANIE MAREE N. DYSANGCO** - Assistant Corporate Secretary

29, Filipino, Bachelor of Arts in European Studies, Minor in French Studies, Ateneo de Manila University; Juris Doctor, Ateneo Law School

Positions held: Assistant Corporate Secretary of Mabuhay Vinyl Corporation [2019 to 2020]; Assistant Corporate Secretary to Keppel Philippines Properties, Inc. [2019 to 2020]; Junior Associate at Bello Valdez Caluya & Fernandez [2018 to 2020].

ANNEX "B"

MANAGEMENT REPORT

A. Description of Business

Mabuhay Vinyl Corporation ("MVC") was incorporated and duly registered with the Philippine Securities and Exchange Commission as a rubber shoe manufacturer on 20 July 1934 under the name Mabuhay Rubber Corporation, and subsequently reorganized in 1960 to engage in chemical and PVC resin manufacturing. On 10 October 1966, the corporate name Mabuhay Vinyl Corporation was adopted. In 1984, the Board of Directors ("BOD") of the Company approved the amendment of its Articles of Incorporation to extend the corporate life of the Company, which expired on 20 July 1984, for another 50 years up to 20 July 2034. The amended Articles of Incorporation was approved by the Philippine Securities and Exchange Commission ("SEC") in the same year. In 2001, the Company underwent a major business realignment when it decided to exit from the PVC business and focus on the chlor-alkali business. Subsequently, the Company invested in a major expansion of its chlor-alkali business ("IEM Project"); the plant started commercial operations in October 2003. On 13 December 2006, the Company started implementation of its Ion Exchange Membrane ("IEM") Phase 2 Project. MVC is the only chlor-alkali producing company in the Philippines and caters to the industrial and household markets. The IEM2 Plant was placed into commercial operations on 25 August 2008.

On 26 November 2008, MVC's landholding company, "MVC Properties, Inc.", was registered with the SEC, which serves as the repository of all the real estate properties of MVC. MVC transferred/assigned ownership of the land assets of the Company to MVC Properties Inc. ("MPI") in exchange for shares of stocks. MPI started commercial operations on the last quarter of 2009 with the issuance of the related TCTs in its name. In 2009, the Company and MPI, its subsidiary, entered into a contract of lease whereby MPI leases its parcels of land to the Company for a period of 10 years, commencing on 01 October 2009. Monthly rental rate is fixed at P246,689 (inclusive of 12% value added tax), subject to review and mutual agreement by both parties. Rental expense in 2019 and 2018 amounted to P2.64 million per year.

In 2018, to accommodate the growing market demand, the Company constructed additional storage tanks at its depot in Bauan, Batangas. These storage tanks were completed in 2019.

The principal products of the Company are caustic soda and chlorine derivatives which form about 99% of the total revenues of the Company.

Competition in the sale of caustic soda and liquid chlorine basically comes from imported materials brought in by traders and importers in Metro Manila and neighboring industrial provinces. For hydrochloric acid, competition comes from two (2) fertilizer manufacturers utilizing another process. Sodium hypochlorite, on the other hand, is produced by two (2) other manufacturers. Competition is principally based on price and quality of products. The Company believes that it can provide a competitive price and comply with customer specifications which allow the Company to compete effectively in the local market.

The Company uses salt as raw material. In 2019 and 2018, the Company purchased salt from Marubeni Corporation.

The Company's clientele are diverse in such a way that the business is not dependent on any single customer. All sales contracts are short term in nature and usually does not exceed one year in duration. Majority are usually on a per delivery basis.

The Company purchases inventories from Tosoh Corporation and Mitsubishi Corporation (Related parties) based on agreed commercial terms and conditions. Total purchases from Tosoh Corporation amounted to

P431.82 million and P424.71 million in 2019 and 2018, respectively while purchases from Mitsubishi amounted to P117.36 million and P372.98 million in 2019 and 2018, respectively.

Required permits were secured by the Company from the Philippine Drug Enforcement Agency (PDEA) for the manufacture, storage and handling of hydrochloric acid.

The Company has secured the required permits and clearances from the Department of Environment and Natural Resources to operate all of its facilities.

Implementation of the environmental laws particularly Republic Act (R.A.) 6969, as implemented by DENR Administrative Order ("DAO") 29 cost MVC about P1.0 million annually.

The Company incurred minimal amounts for research and development activities, which do not amount to a significant percentage of revenues.

B. Legal Proceedings

1. Case Title : MVC vs. Lee Won Industries, Inc.
   Nature : Collection of sum of money in the amount of ₱1,228,541.60
   Progress/Status : Resolution of pending motion to set case anew for examination of judgment debtor is still dependent on obtaining the court records. Should retrieval of records cause further delay, reconstruction of court records thru submission of file copies will be undertaken.
   Possible Gain/Loss : Same as amount involved

2. Case Title : MVC vs. Manugas/Acero
   Nature : Recovery of excess separation benefits
   Progress/Status : After granting MVC's petition, the Supreme Court remanded the case to the Court of Appeals for disposition of the substantial issues specifically the recovery of separation benefits which were erroneously paid by MVC. The case awaits resolution from the Court of Appeals.
   Possible Gain/Loss : ₱508,662.61

3. Case Title : In Re: Petition for Corporate Rehabilitation of PRI/NPIC, Land Bank of the Philippines (Petitioner)
   Nature : Corporate Rehabilitation
   Progress/Status : The case was suspended due to pendency of case at the Supreme Court. Land Bank filed motion to convert proceedings into liquidation proceedings. Awaiting resolution of Supreme Court.
   Evaluation : There is no assurance that MVC's claim will be recovered since MVC is an unsecured creditor.
   Possible Gain/Loss : ₱25,921,775.65

4. Case Title : MVC vs. Steel Corporation of the Philippines
   RTC Branch 3, Batangas City
   Nature : Claim from a company presently under Liquidation Proceedings
   Progress/Status : Pursuant to an Out-of-Court-Restructuring Agreement (OCRA), signed on 27 March 2015, MVC received the last installment payment from Steel Corp. in May 2019.
   Evaluation : Payment shall be made in eight (8) equal semi-annual amortizations payable in arrears starting at the end of the 6th month of the first year from the effectivity date of the OCRA.
   Possible Gain/Loss : Liability has been paid in full in 2019.

5. Case Title : Mabuhay Vinyl Corporation vs. Ernesto C. Ouano Development & Management Corporation, et. al.
   Nature : Petition for Interim Relief (Deposit of Amount of Money)
   Progress/Status : Motion for consignment of rental fees granted.

6. Case Title : Collection case against Atom Chemical
   Nature : Collection of a Sum of Money in amount of ₱729,263.00
   Progress/Status : Case raffled to Makati RTC Branch 142. Pre-trial set on 06 March 2020.
   Possible Gain/Loss : ₱729,263.00

7. Case Title : MVEU-FDLO, Darwin Campugan et. al. vs. Wilsim Painting & Construction and MVC
   CA GR SP No. 06386-MIN
   Nature : Labor Case
   Progress/Status : MVC filed an appeal with National Labor Relations Commission (NLRC) which resulted in the reversal of the Labor Arbiter's ruling. The NLRC ruled that Wilsim is an independent contractor and is solely liable to the money claims. The union elevated the case to the Court of Appeals. The Court of Appeals sustained the NLRC. The union filed a petition before the Supreme Court. Until the present, the Supreme Court has not acted yet on the petition.

8. Case Title : Underpayment of Night Differential on Special and Regular Holidays
   ROX Case No. RO10-CV-2015-10-0086-G
   Nature : Complaint by the Union re underpayment of night shift differential (NSD) on special and regular holidays.
   Progress/Status : MVC maintains that its computation of night premiums is in accordance with the specific provision of the Collective Bargaining Agreement (CBA) which is more than what the DOLE Handbook requires.
   After having been pending with the DOLE Region X, the case was referred back to NCMB on 03 August 2018. The Voluntary Arbitrator (VA), in its decision dated 15 November 2018, decided in favor of MVC. The Union filed a motion for reconsideration for the VA's decision. The VA denied the motion for reconsideration. On 23 January 2019, Union filed a Petition for Review to question the VA's Decision before the Court of Appeals. MVC received on 15 March 2019 the resolution dated 26 February 2019 directing to file a Comment to the Petition. Furthermore, the Court later directed the parties to submit their respective memorandum in the resolution dated 26 April 2019. MVC already filed a memorandum.

9. Case Title : MVEU-FDLO vs. MVC re: extra one day holiday pay
   CA G. R. SP-07592-MIN
   VA Case No. AC-209-RB 10-0107-05-2016
   Nature : This pertains to the recent correction made by MVC, after it discovered the erroneous payment by MVC of an extra one day, whenever an employee works on his rest day or on special and legal holidays and on unworked legal holidays, in view of the absence of any valid basis thereto either by deliberate company grant, the Collective Bargaining Agreement (CBA), or by the Labor Code; thus, beginning 01 January 2016, the Company discontinued the payment of the extra (1) one day pay.
   Progress/Status : The Voluntary Arbitrator (VA) decided the case against the Company. The Company elevated the case to the Court of Appeals. After the filing of the required pleadings, a decision was rendered by the Court of Appeals reversing the decision of the VA and affirmed the validity of the action of the Company discontinuing the payment of extra one day. The Union filed a motion for reconsideration but was subsequently denied by the Court of

Appeals on 15 February 2018. On 14 March 2018, the union filed its motion for extension of time to file petition for review on certiorari with the Supreme Court (SC). The SC has in the resolution dated 05 December 2018 directed the Company to file its Comment on the Petition. MVC already filed the Comment.

10. Case Title : Dandasan vs. MVC
NLRC Case No. SRAB X-08-20389-17

Nature : Labor Case

Progress/Status On 23 July 2017, a power dip caused the shutdown of the Liquid Chlorine Plant as well as the two (2) Ion Exchange Membrane Plants (IEM 1 & 2). Both IEM plants were restarted on 24 July 2017.

During initial inspection, it was determined that the data recorder of the Liquid Chlorine Plant was damaged by the incident. However it was ascertained after further evaluation that the plant was safe to operate despite the defective recorder. The LCP Senior Operator, Dandasan, was instructed by both the Shift Manager and Shift Supervisor to restart operations but he refused to comply citing that the data recorder was damaged. He was charged and found guilty of Insubordination and a two (2) day suspension was sanctioned by the company. Dandasan filed a case for Illegal Suspension with the NLRC after serving the suspension.

The Labor Arbiter in its Decision dated 28 April 2018 dismissed the Complaint. Mr. Dandasan appealed the case with the NLRC 8th Division. The NLRC affirmed the Decision of the Labor Arbiter dismissing the complaint. Mr. Dandasan filed his motion for reconsideration, and MVC's opposition was filed thereto on 12 February 2019.

11. Case Title : Notice of Strike Re Labor Dispute
RCMB-X-LDN-NS-09-002-2018

Nature : Labor Case

Progress/Status : This case arose after Mr. R. Dolendo was dismissed from employment effective October 2018 in view of his failure to comply with the requirements of the New Chemistry Law (RA 10657).

MVC filed a motion to dismiss the Notice of Strike and to refer the other issues back to the Grievance Machinery. The NCMB conducted several conciliation and mediation conferences but the parties could not come to a settlement. The last conference was held last 21 February 2019 where the union proposed that the issue of the legality of the dismissal of Mr. Dolendo be referred to the NLRC while the other issues are to be referred back to the Grievance Machinery. MVC agreed with the union but proposed that the issue on the dismissal of Mr. Dolendo be brought to voluntary arbitration.

The case concerning the Notice of Strike was dismissed in 2019.

12. Case Title : Dolendo vs. MVC
NLRC Case No. RAB X-05-22191-19

Nature : Labor Case

Progress/Status : Case filed by Rey Dolendo to question his termination. Mr. R. Dolendo was dismissed from employment effective October 2018 in view of his failure to comply with the requirements of the New Chemistry Law (RA 10657).

In the Decision dated 17 September 2019, the Labor Arbiter ruled in favor of Mr. Dolendo and directed MVC to pay the amount of ₱588,697.19

representing back wages, damages and attorney's fee. MVC appealed the case to the NLRC 8th division. Mr. Dolendo filed his answer to the appeal and MVC filed a Comment to the answer of Mr. Dolendo.

13. Case Title : MVEU-FLDO vs. MVC
NLRC RAB Case No. RAB X-09-22531-19

Nature : Labor Case

Progress/Status : Complainants filed a case for unfair labor practices, payment of wage differentials and damages. MVC filed for a motion to dismiss under the grounds of lack of jurisdiction since the complainant's cause of action is anchored on an interpretation or implementation of the Collective Bargaining Agreement between the parties. The case awaits decision from the Labor Arbiter.

C. Securities of the Registrant

Market Price, Dividend and Related Stockholder Matters

The principal market of Mabuhay Vinyl's common equity is the Philippine Stock Exchange ("PSE") where it was listed last 05 February 1997. The high and low sales prices by quarter for the last two (2) years are as follows:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		1st Quarter
Market Price	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2020*
High	3.90	3.90	3.52	3.78	3.38	3.56	3.40	3.63	3.54
Low	3.00	3.02	3.03	3.21	3.03	3.10	3.07	3.03	2.85

**No transaction for the period January 1 to May 13, 2020.*

The price as of 13 May 2020 (latest practicable trading date) is P3.50.

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

There are approximately 2,282 holders of common shares of the Company as of 30 April 2020.

Please refer to Annex "C" page 32 for the list of top 20 stockholders as of 30 April 2020.

Below is a summary of the dividends declared for the years ended December 31, 2019 and 2018:

Date of Declaration	Date of Record	Dividend rate	Dividend per share
26 April 2018	21 May 2018	7%	0.07
25 April 2019	23 May 2019	7%	0.07

The cash dividend declaration does not require the approval of the stockholders.

There are no restrictions that limit the payment of dividends on Common Shares.

There is no recent sale of unregistered or exempt securities.

D. Management's Discussion and Analysis or Plan of Operation

1. For the quarter ending 31 March 2020

MATERIAL CHANGES IN FINANCIAL CONDITION

From 01 January 2020 to 31 March 2020	*From 01 January 2019 to 31 March 2019*	*From 01 January 2018 to 31 March 2018*
a. Cash and cash equivalents increased by P252.1M due to investment of excess cash from collection in placements with shorter terms.	**a. Cash and cash equivalents increased by P200.3M** due sustained collection.	**a. Cash and cash equivalents increased by P209.9M** due sustained collection and cash set aside for the settlement of importations and various operating expenses.
b. Short-term investments decreased by P422.4M due to investment of excess cash to placements with shorter maturity.	**b. Short-term investments increased by P25.3M** due to excess cash invested to short term placements with maturity of more than three months but less than one year.	**b. Short-term investments (nil)**
c. Accounts Receivable increased by P17.6M due to lower collection resulting from the enhanced community quarantine.	**c. Accounts Receivable decreased by P97.4M** due to sustained collection drive.	**c. Accounts Receivable increased by P22.6M** due to higher sales.
d. Inventories increased by P48.0M due to goods produced during the period and receipt of imported materials.	**d. Inventories increased by P18.9M** due to goods produced during the period and receipt of importation net of products sold to customers.	**d. Inventories decreased by P142.2M** due to sales to customers net of goods produced during the period and receipt of importation.
e. Other current assets increased P23.5M due made to advances to suppliers, input taxes from importations and recognized prepayments.	**e. Other current assets increased by P39.1M** due to advances to suppliers and recognized prepayments.	**e. Other current assets decreased by P9.2M** due to closing of advances to suppliers and utilization of input taxes against VAT payable.
f. Equity instruments designated at fair value through other comprehensive income (no change)	**f. Equity instruments designated at fair value through other comprehensive income** (no change)	**f. Equity instruments designated at fair value through other comprehensive income** (nil)

From 01 January 2020 to 31 March 2020	*From 01 January 2019 to 31 March 2019*	*From 01 January 2018 to 31 March 2018*
g. Available for sale financial assets (nil) (no change)	**g. Available for sale financial assets (nil)** (no change)	**g. Available for sale financial assets decreased by P0.04M** due to the decrease in the fair value of the quoted instruments and golf shares.
h. Property, plant and equipment - at cost decreased by P2.4M due to depreciation net of acquisitions of various machineries, equipment and construction in progress.	**h. Property, plant and equipment - at cost decreased by P2.7M** due to depreciation net of acquisitions of various machineries, equipment and construction in progress.	**h. Property, plant and equipment - at cost decreased by P3.3M** due to depreciation net of acquisitions of various machineries, equipment and construction in progress.
i. Land, at appraised value (no change)	**i. Land, at appraised value** (no change)	**i. Land, at appraised value** (no change)
j. Net retirement benefits asset increased by P0.9M Movement in the Net retirement benefits assets reflects retirement fund contributions for the quarter net of the accrual of current year expenses for future retirement.	**j. Net retirement benefits asset increased by P1.9M** Movement in the Net retirement benefits assets reflects retirement fund contributions for the quarter net of the accrual of current year expenses for future retirement.	**j. Net retirement benefits asset (nil)** (no change)
k. Other noncurrent assets decreased by P9.0M due to closing of advances made to suppliers.	**k. Other noncurrent assets decreased by P7.0M** due to closing of advances made to suppliers.	**k. Other noncurrent assets increased by P2.6M** due to long term notes receivable extended to third parties.
l. Accounts payable and accrual increased by P5.5M due to accrual of imported goods and accrual of various expenses.	**l. Accounts payable and accrual increased by P17.1M** due to accrual of imported goods and accrual of various expenses.	**l. Accounts payable and accrual decreased by P20.9M** due to settlement of payables to various suppliers.
m. Retirement benefits payable Movement in the Retirement benefits payable is due to reclassification of retirement payable to asset account to due to contributions made during the quarter.	**m. Retirement benefits payable (nil)** (no change)	**m. Retirement benefits payable** Movement in the Retirement benefits payable reflects the accrual of current year expenses for future retirement net of the retirement fund contributions for the quarter.

CHANGES IN OPERATING RESULTS

1st Quarter 2020 vs. 1st Quarter 2019	*1st Quarter 2019 vs. 1st Quarter 2018*	*1st Quarter 2018 vs. 1st Quarter 2017*
a. Gross Margin increased to 48% Gross margin increased by 7% due to lower cost of production.	**a. Gross Margin is at 41%** Gross margin increased by 9% to lower cost of production.	**a. Gross Margin increased to 30%** Gross margin increased by 7% due to higher sales volume.
b. Operating expense increased by P10.1M due to higher administrative and distribution expenses.	**b. Operating expense increased by P10.3M** due to higher administrative and distribution expenses.	**b. Operating expense increased by P5.1M** due to higher volume sold.
c. Interest and financing charges increased by P0.5M due to accretion of interest of lease liability in accordance with PFRS 16.	**c. Interest and financing charges increased by P0.03M** (no significant change)	**c. Interest and financing charges decreased by P0.02M** (no significant change)
d. Other income decreased P0.98M due to lower miscellaneous income.	**d. Other income increased by P6.5M** due to higher interest income.	**d. Other income decreased by P6.9M** due to lower revenues from spent caustic treatment.

KEY PERFORMANCE INDICATORS
For the Quarter Ended March 31, 2020 and 2019
** In thousands*

Ratio	Formula	1st Quarter 2020	1st Quarter 2019
1. Liquidity			
a. Quick ratio	(cash and cash equiv. + A/R + short term deposits) / current liabilities Cash and cash equivalents 1,005,702 Accounts receivable 462,191 Short term deposits - Total 1,467,892 Divided by: Total Current Liabilities 250,329 Quick ratio 5.86	5.86	4.59
b. Current ratio	current assets / current liabilities Total Current Assets 2,046,159 Divided by: Total Current Liabilities 250,329 Current ratio 8.17	8.17	5.64

Ratio	Formula		Current Year	Prior Year
2. Profitability				
c. Net profit margin	net income / sales		0.18	0.17
	Net income	102,209		
	Divided by: Total Net sales	561,507		
	Net profit margin	0.18		
d. Return on equity	net income / average stockholders' equity		0.04	0.05
	Net income	102,209		
	Divided by: Average Total Stockholders' Equity*	2,558,036		
	Return on equity	0.04		
	*(beginning plus ending) / 2			
3. Leverage				
e. Debt to total asset ratio	total liabilities / total assets		0.14	0.17
	Total Liabilities	411,389		
	Divided by: Total Assets	3,020,529		
	Debt to total asset ratio	0.14		
f. Debt to equity ratio	total liabilities/ total stockholders' equity		0.16	0.17
	Total Liabilities	411,389		
	Divided by: Total Stockholders' Equity	2,609,140		
	Debt to equity ratio	0.16		

2. For full fiscal years

The following table shows the consolidated financial highlights of the Company for the years then ended December 31, 2019, 2018 and 2017:

	As of December 31 (In Thousands)		
	2019	**2018**	**2017**
Income Statement Data			
Total Revenues	P2,323,002	P2,853,491	P2,173,256
Gross Profit	952,318	992,248	569,932
Operating Income	475,923	553,923	148,928
Net Income	364,191	396,210	126,772

Revenues in 2019 decreased compared to 2018 due to lower sales volume and selling price during the year. Lower revenues were partially offset by lower cost of importation and production as well as lower foreign exchange rates.

Weak demand for liquid caustic soda in the Asian region due to the trade war between the United States and China resulted to declining price of imported caustic soda while an extended maintenance shutdown by a local refinery caused lower demand for the chemical.

Cash management was improved with excess cash from operations invested on short-term placements resulting in interest income amounting to P41.70 million.

Revenues from logistics services and custom-tailored environmental services amounted to P20.18 million.

In 2020, the Company intends to achieve revenues of P2.32 billion, gross profit of P816.86 million and net income after tax of P227.29 million. Sales volume is targeted to be slightly higher than the prior year. No significant capacity expansion is expected to be undertaken in 2020.

There are no significant events that could have a negative impact on the Company's outlook for 2020 except for the price movements of liquid caustic soda. The Company expects its power allocation to be sufficient to meet planned production targets assuming no major breakdown in Mindanao's power plants. On the other hand, the movement of liquid caustic soda price in the international market may introduce some risks to the portion of the Company's trading business where it had entered into fixed-price supply contracts.

There are no known trends, events or uncertainties that have material impact on liquidity. Nevertheless, Management still continues to pursue intensive collection efforts to reduce accounts receivables and improve cash management.

There are no events that will trigger direct or contingent financial obligation that is material to the Company.

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company continues to spend for regular capital expenditures to improve the reliability of manufacturing plants and depots. These expenditures were financed using cash from operations.

Material changes on line items in the financial statements for the year ending 31 December 2019 are included in "Management's Discussion and Analysis" below (refer to pages 23-30).

The financial condition or results of operations of the Company are not affected by any seasonal change.

MATERIAL CHANGES IN FINANCIAL CONDITION

From 01 January 2019 to 31 December 2019	*From 01 January 2018 to 31 December 2018*	*From 01 January 2017 to 31 December 2017*
a. Cash and cash equivalents increased by P519.1M due to sustained collection drive and investment of excess cash to short term placements with less than three months maturity. P653.1 million of the cash balance was invested in short-term money market placements with less than three months maturity.	**a. Cash and cash equivalents decreased by P159.6M** due to investment of excess cash to short term placements with more than three months maturity. P108.0 million of the cash balance was invested in short-term money market placements with less than three months maturity.	**a. Cash and cash equivalents decreased by P140.6M** due to higher cost of imported caustic soda and payments for capital expenditures. P292.1 million of the cash balance was invested in short-term money market placements.
b. Short-term investments decreased by P172.5M due to investment of excess cash to placements with less than three months maturity.	**b. Short-term investments increased by P594.9M** due to investment of excess cash to short term placements with more than three months maturity.	**b. Short-term investments (nil)**
c. Accounts Receivable decreased by P110.7M due to sustained collection drive.	**c. Accounts Receivable increase by P58M** due to higher sales.	**c. Accounts Receivable increased by P127.5M** due to higher sales.
d. Inventories decreased by P19.0M due to sale of finished goods and normal depletion of materials to produce caustic soda and its co-products.	**d. Inventories decreased by P17.2M** due to sale of finished goods and normal depletion of materials to produce caustic soda and its co-products.	**d. Inventories increased by P130.9M** due to purchase of imported caustic soda net of sale of finished goods and normal depletion of materials to produce caustic soda and its co-products.
e. Other current assets decreased by P7.5M due to closing of advances made to suppliers and utilization of creditable and input taxes.	**e. Other current assets decreased by P45.3M** due to closing of advances made to suppliers and utilization of creditable and input taxes.	**e. Other current assets increased by P6.4M** due to advances made to suppliers for purchase of various equipment.
f. Equity instruments designated at fair value through other comprehensive income decreased by P2.9M due to the decrease in the fair value of the unquoted instruments.	**f. Equity instruments designated at fair value through other comprehensive income increased by P29.7M** due to reclassification of assets previously presented as “Available for sale financial assets” as a result of adopting PFRS 9. Adoption of the new standard also requires valuation of the financial assets at fair value which contributed to the significant increase.	**f. Equity instruments designated at fair value through other comprehensive income (nil)**

From 01 January 2019 to 31 December 2019	*From 01 January 2018 to 31 December 2018*	*From 01 January 2017 to 31 December 2017*
g. Available for sale financial Assets (nil) (no change)	**g. Available for sale financial assets decreased by P6.0M** due to reclassification of assets previously presented as "Available for sale financial assets" to "Equity instruments designated at fair value through other comprehensive income" as a result of adopting PFRS 9.	**g. Available for sale financial assets increased by P0.25M** due to the increase in the fair value of the quoted instruments and golf shares.
h. Property, plant and equipment - at cost increased by P64.2M due to the acquisition of assets net of the depreciations and disposals during the year.	**h. Property, plant and equipment - at cost decreased by P37.1M** primarily due to the depreciation of the assets net of the acquisitions and disposals during the year.	**h. Property, plant and equipment - at cost decreased by P6.9M** primarily due to the depreciation of the assets net of the acquisitions and disposals during the year.
i. Land, at appraised value increased by P5.1M due to revaluation increment recognized resulting from the increase in the fair value of the land.	**i. Land, at appraised value increased by P235.5M** due to revaluation increment recognized resulting from the increase in the fair value of the land.	**i. Land, at appraised value increased by P29.4M** due to revaluation increment recognized resulting from the increase in the fair value of the land.
j. Retirement benefits asset decreased by P2.6M due to reclassification of retirement benefits to liability position as a result of loss/present value of defined benefit obligation recognized during the year net of retirement fund assets.	**j. Retirement benefits asset increased by P2.6M** due to reclassification of retirement benefits to asset position as a result of gains/retirement fund assets recognized during the year net of the present value of defined benefit obligation.	**j. Retirement benefits asset (nil)**
k. Other noncurrent assets increased by P0.3M due to advances made to suppliers.	**k. Other noncurrent assets increased by P10.9M** due to long term notes receivable extended to third parties and advances made to suppliers.	**k. Other noncurrent assets increased by P2.6M** due to long term notes receivable extended to third parties.
l. Accounts payable and accrual decreased by P65.3M due to settlement of liabilities to suppliers.	**l. Accounts payable and accrual increased by P39.7M** due to purchases of inputs and accruals made for distribution and administrative expenses.	**l. Accounts payable and accrual increased by P49.7M** due to purchases of inputs and accruals made for distribution and administrative expenses.
m. Retirement benefits payable Movement in the Retirement benefits payable reflects the accrual of current year expenses for future retirement net of the retirement fund contributions for the year.	**m. Retirement benefits payable** Reclassified to asset position as a result of gains/retirement fund assets recognized during the year net of the present value of defined benefit obligation.	**m. Retirement benefits payable** Movement in the Retirement benefits payable reflects the accrual of current year expenses for future retirement net of the retirement fund contributions for the year.

CHANGES IN OPERATING RESULTS

2019 vs. 2018	*2018 vs. 2017*	*2017 vs. 2016*
a. Gross Margin increased to 41% Gross margin increased by 6% due to lower production and import costs.	**a. Gross Margin is at 35%** Gross margin increased by 9% compared to last year due to higher sales volume and price as well as reclassification of environmental services to "Revenue from contracts with customers" as a result of adopting the new accounting standards.	**a. Gross Margin decreased to 26%** Gross margin decreased by 3% compared to last year due to higher import and production cost. Nevertheless, higher sales volume and selling price resulted to higher gross profit by P85.9M.
b. Operating expense increased by P31M or 7% due to higher distribution cost and higher repairs.	**b. Operating expense increased by P17.3M or 4%** due to higher distribution cost derived from higher volume sales.	**b. Operating expense increased by P82.5M or 24%** due to higher distribution cost derived from higher volume sales and provision made for contingencies.
c. Interest and financing charges increased by P2.2M due to interest recognized for the adoption of PFRS 16 - Leases.	**c. Interest and financing charges decreased by P0.1M** due to lower bank charges.	**c. Interest and financing charges increased by P0.03M** (no significant change)
d. Other income increased by P5.1M due to income from sale of scrap.	**d. Other income decreased by P28.8M** due to reclassification of the presentation of environmental services to "Revenue from contracts with customers" as a result of adopting PFRS 15.	**d. Other income decreased by P4.2M** due to lower revenues from spent caustic treatment.

KEY PERFORMANCE INDICATORS
(Note: Mabuhay Vinyl Corporation and its subsidiary, MVC Properties, Inc.)

Ratio	Formula		Current Year	Prior Year
a. Quick ratio	(cash and cash equiv. + A/R + short term deposits) / current liabilities		8.05	5.23
	Cash and cash equivalents	753,574,762		
	Accounts receivable	451,472,086		
	Short term deposits	422,374,656		
	Total	1,627,421,504		
	Divided by: Total Current Liabilities	202,261,856		
	Quick ratio	8.05		
b. Current ratio	current assets / current liabilities		9.33	6.30
	Total Current Assets	1,887,290,266		
	Divided by: Total Current Liabilities	202,261,856		
	Current ratio	9.33		
c. Solvency ratio	(net income + depreciation expense) / average liabilities		1.16	1.47
	Net income	364,191,173		
	Depreciation expense	79,807,083		
	Total	443,998,256		
	Divided by Average Total Liabilities*	383,974,359		
	Solvency ratio	1.16		
	*(beginning plus ending) / 2			
d. Debt to equity ratio	total liabilities/ total stockholders' equity		0.15	0.18
	Total Liabilities	365,253,574		
	Divided by: Total Stockholders' Equity	2,506,931,291		
	Debt to equity ratio	0.15		
e. Net profit margin	net income / sales		0.16	0.14
	Net income	364,191,173		
	Divided by: Total Net sales	2,323,002,069		
	Net profit margin	0.16		
f. Return on equity	net income / average stockholders' equity		0.15	0.20
	Net income	364,191,173		
	Divided by: Average Total Stockholders' Equity*	2,351,520,123		
	Return on equity	0.15		
	*(beginning plus ending) / 2			

Ratio	Formula		Current Year	Prior Year
a. Return on assets	net income / average assets		0.13	0.17
	Net income	364,191,173		
	Divided by: Average Total Assets	2,735,494,482		
	Return on assets	0.13		
	*(beginning plus ending) / 2			
b. Debt to total asset ratio	total liabilities / total assets		0.13	0.15
	Total Liabilities	365,253,574		
	Divided by: Total Assets	2,872,184,865		
	Debt to total asset ratio	0.13		
c. Asset to equity ratio	total assets / total stockholders equity		1.15	1.18
	Total Assets	2,872,184,865		
	Divided by: Total Stockholders' Equity	2,506,931,291		
	Asset to equity ratio	1.15		
d. Interest rate coverage ratio	earnings before interest and taxes / interest expense		234.17	0.00
	Net income	364,191,173		
	Interest Expense	2,246,545		
	Provision for Income Tax	159,639,853		
	EBIT	526,077,571		
	Divided by: Interest Expense	2,246,545		
	Interest rate coverage ratio	234.17		

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Financial Risks

a. Interest Rate Risk – The Company's interest rate risk is limited to its trust receipts and short-term loans. There were no outstanding trust receipts and short term-loans as of December 31, 2019.
b. Foreign Currency Risk – Exposure to said risk arises from deposits and importation of finished goods, raw materials and equipment in foreign currency. Purchases of finished goods and raw materials are subject to an open account with foreign suppliers and are settled immediately through purchase of dollars from a local bank at spot rate as soon as documentation requirements are completed.
c. Credit Risk – The Company has a policy to require customers who wish to buy on credit terms to comply and undergo a credit verification process concentrating on capacity, character and willingness to pay. Receivables are closely monitored to ensure that changes in credit quality are recognized and exposure to bad debts is minimized.
d. Liquidity Risk – The Company maintains a balance between continuity of funding and flexibility using bank loans and purchase contracts. Short-term loans availed for operating requirements usually mature within one year while loans through trust receipts within 180 days. Other payables usually mature within 60 days. There were no loans availed in 2019.

The Company has no investments in foreign securities.

2019 COMPARED TO 2018

Current Assets. Cash and cash equivalent increased by P519.1M due to sustained collection drive and investment of excess cash to short term placements with less than three months maturity. P653.1 million of the cash balance was invested in short-term money market placements with less than three months maturity. **Short-term investments** decreased by P172.5M due to investment of excess cash to placements with less than three months maturity. **Trade and other receivables** decreased by P110.7M due to sustained collection drive. Decrease in the value of **Inventories** of P19.0M is mainly due to sale of finished goods and normal depletion of materials to produce caustic soda and its co-products. **Other current assets** decreased by P7.5M due to closing of advances made to suppliers and utilization of creditable and input taxes.

Equity instruments designated at fair value through other comprehensive income consists of quoted and unquoted equity instruments and golf shares. No sale was made during the year**.** Decrease in the Equity instruments designated at fair value through other comprehensive income assets is due to the decrease in the fair value of the unquoted instruments.

Increase in the value of **Property, plant and equipment - at cost** is due to the acquisition of assets net of the depreciations and disposals during the year.

Land, at appraised value increased by P5.1M due to revaluation increment recognized resulting from the increase in the fair value of the land.

Retirement benefits asset decreased by P2.6M due to reclassification of retirement benefits to liability position as a result of loss/present value of defined benefit obligation recognized during the year net of retirement fund assets.

Increase in the **Other noncurrent assets** is due to advances made to suppliers.

Current Liabilities. Trade and other payables decreased by P65.3M due to settlement of liabilities to suppliers.

Increase in the **Deferred income tax liabilities - net** is mainly due to the tax effect of the revaluation of land, reversal of provision for contingencies, movement on the allowance for inventory losses and other temporary tax differences.

Changes in Operating Results
Gross Margin increased by 6% compared to last year due to lower production and import costs. **Operating expenses** increased due to higher distribution cost and higher repairs. **Interest and financing charges** increased by P2.2M due to interest recognized for the adoption of PFRS 16 - Leases. **Other income** increased by P5.1M due to due to income from sale of scrap.

2018 COMPARED TO 2017

Current Assets. Cash and cash equivalent decreased by P159.6M due to investment of excess cash to short term placements with more than three months maturity. P108.0 million of the cash balance was invested in short-term money market placements with less than three months maturity. **Short-term investments** increased by P594.9M due to investment of excess cash to short term placements with more than three months maturity. **Trade and other receivables** increased by P58M due to higher sales. Decrease in the value of **Inventories** of P17.2M is mainly due to sale of finished goods and normal depletion of materials to produce caustic soda and its co-products. **Other current assets** decreased by P45.3M due to closing of advances made to suppliers and utilization of creditable and input taxes.

Equity instruments designated at fair value through other comprehensive income assets increased by P29.7M due to reclassification of assets previously presented as “Available for sale financial assets” as a result of adopting PFRS 9. Adoption of the new standard also requires valuation of the financial assets at fair value which contributed to the significant increase. **Available for sale financial assets** decreased by P6.0M due to reclassification of assets previously presented as “Available for sale financial assets” to

"Equity instruments designated at fair value through other comprehensive income" as a result of adopting PFRS 9.

Decrease in the value of **Property, plant and equipment - at cost** is primarily due to the depreciation of the assets net of the acquisitions and disposals during the year.

Land, at appraised value increased by P235.5M due to revaluation increment recognized resulting from the increase in the fair value of the land.

Retirement benefits asset increased by P2.6M due to reclassification of retirement benefits to asset position as a result of gains/retirement fund assets recognized during the year net of the present value of defined benefit obligation.

Increase in the **Other noncurrent assets** is due to long term notes receivable extended to third parties and advances made to suppliers.

Current Liabilities. Trade and other payables increased by P39.7M due to purchases of inputs and accruals made for distribution and administrative expenses.

Increase in the **Deferred income tax liabilities - net** is mainly due to the tax effect of the revaluation of land, reversal of provision for contingencies, movement on the allowance for inventory losses and other temporary tax differences.

Changes in Operating Results
Gross Margin increased by 9% compared to last year due to higher sales volume and price as well as reclassification of environmental services to "Revenue from contracts with customers" as a result of adopting the new accounting standards. **Operating expenses** increased due to higher distribution cost derived from higher volume sales. **Interest and financing charges** decreased by P0.1M due to lower bank charges. Financing charges are composed of bank charges. **Other income** decreased by P28.8M due to reclassification of the presentation of environmental services to "Revenue from contracts with customers" as a result of adopting PFRS 15.

2017 COMPARED TO 2016

Current Assets. Cash and cash equivalent decreased by P140.6M due to higher cost of imported caustic soda, payments for capital expenditures as well as payment of dividends to shareholders. P292.1 million of the cash balance was invested in short-term money market placements. **Trade and other receivables** increased by P127.5M due to higher sales. Increase in the value of **Inventories** of P130.9M is mainly due to purchase of imported caustic soda net of sale of finished goods and normal depletion of materials to produce caustic soda and its co-products. **Other current assets** increased by P6.4M due to advances made to suppliers for purchase of various equipment.

Available for sale financial assets consist of quoted and unquoted equity instruments and golf shares. No sale of available for sale financial assets was made during the year. Increase in the AFS financial asset is due to the increase of its fair value.

Decrease in the value of **Property, plant and equipment - at cost** is primarily due to the depreciation of the assets net of the acquisitions and disposals during the year.

Land, at appraised value increased by P29.4M due to revaluation increment recognized resulting from the increase in the fair value of the land.

Increase in the **Other noncurrent assets** is due to long term notes receivable extended to third parties.

Current Liabilities. Trade and other payables increased by P49.7M due to purchases of inputs and accruals made for distribution and administrative expenses. Movement in the **Retirement benefits payable** reflects the accrual of current year expenses for future retirement net of the retirement fund contributions for the year.

Increase in the **Deferred income tax liabilities - net** is mainly due to the tax effect of the revaluation of land, provision for contingencies, reversal of excess allowance for doubtful accounts, movement on the allowance for inventory losses and other temporary tax differences.

Changes in Operating Results
Gross Margin decreased from 29% to 26% due to higher import and production cost. Nevertheless gross profit on sale of goods increased by P85.9M due to higher sales volume. **Operating expenses** increased due to higher distribution cost derived from higher volume sales, higher repairs and provision made for contingencies. **Interest and financing charges** increased by P0.03M due to slightly higher bank charges. Financing charges are composed of bank charges and accretion of asset retirement obligation. **Other income** decreased by P4.2M due to lower revenues from spent caustic treatment.

SUBSEQUENT EVENTS

On 16 March 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of 16 March 2020 until 12 April 2020 and was further extended until 15 May 2020, unless earlier lifted or extended as circumstances may warrant. The Company considers the measure taken by the government as a non-adjusting subsequent event. However, the outbreak may have an impact on our 2020 financial results. Considering the evolving nature of the outbreak, we cannot determine at this time the impact to our financial position, performance and cash flows.

As of date, the Company is operating continuously with reduced manpower at offices, plants and warehouses. Inventory of raw materials and traded commodities are at normal levels and deliveries to customers are completed successfully. The Company shall continue to monitor the situation and take additional measures as mandated by the National and Local Governments.

E. Certain Relationships and Related Transactions

(1) Tosoh Corporation and Mitsubishi Corporation supplies the Company with Liquid Caustic Soda and other materials. The commercial dealings with Tosoh Corporation started in 2018 while that of Mitsubishi have been in effect for more than fifteen years under normal arms-length commercial terms and on a basis consistent with applicable Philippine laws on conflicts of interest and related party transactions. Pricing is dictated by prevailing international market. Total purchases from Tosoh amounted to P431.8M in 2019 and P424.7M in 2018 (nil in 2017) while purchases from Mitsubishi amounted to P117.4M in 2019, P373.0M in 2018 and P771.2M in 2017. There were no outstanding trade payable to Tosoh Corporation as of 31 December 2019 and 2018. Outstanding trade payable to Mitsubishi as of 31 December 2017 amounted to P0.83M (nil in 2019 and 2018).

(2) Aside from the party mentioned above, there is no other relationship that has existing negotiations on material transactions.

List of parents of the registrant

a. Tosoh Corporation

No. of MVC shares owned	581,785,835
Percentage of control	87.9748%

3) There is no transaction with promoters for the past 5 years.

F. Management and Certain Security Holders

Directors, Executive Officers
There are currently seven (7) members of the Board, two (2) of whom are independent directors who hold office for one (1) year. Please refer to pages 5 and 6 for the list of incumbent directors/officers. The Corporation relies significantly on the continued collective efforts of its senior executive officers and expects each employee to do his share in achieving the Corporation's goals.

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Company to become directors, or executive officers, any security holder of certain record, beneficial owner or management.

No director or executive officer has been involved in any legal proceeding during the last five (5) years.

G. Corporate Governance

The Company remains committed to its Corporate Vision-Mission and mandate as reflected by the following programs and activities implemented for such:

1. Annual kick-off planning and alignment of departmental objectives in line with the Company's directions was held at the start of the year. Also, annual strategic planning of Industrial Peace Council, Council of Solidarity, Corporate Council of Quality, Safety, Security, Health and Environment and other plant-wide committees to map out CSR, Employees and Family Welfare, Quality, Safety, Security and Environmental Programs and Activities for the current year.
2. Corporate Social Responsibility (CSR) initiatives in the areas of Education, Environment, and Health.
   a. Rehabilitation/repair of classrooms at Barangay Buru-un and Barangay Ditucalan, Iligan City
   b. Provision of school supplies for selected students in Iligan and Luzon through Brigada Eskwela and in cooperation with the Department of Labor and Employment to support its Child Labor Prevention and Elimination Program (Project Angel Tree)
   c. Donation of school supplies and industrial fans to Bauan Day Care Center in Batangas as part of Annual Brigada Eskwela program of MVC Luzon
   d. Scholarship for selected indigent schoolchildren in Iligan adopted community
   e. Provision of materials and actual book covering of 200 workbooks by volunteer employees during the 2019 Brigada Eskwela in partnership with Philippine Business for Social Progress
   f. Rehabilitation/repair and provision for chairs, tables, toys and educational materials for adopted Day care centers in Iligan
   g. Donation of cleaning materials, gardening tools, painting materials and paraphernalia to neighboring schools in Iligan City as part of the Brigada Eskwela
   h. Donation of gently-used and new reading materials (books/magazines) as part of the Book Shower Program
   i. Continuing acceptance for On-the-Job trainees and K-12 immersions
   j. Narra and mangrove planting activities both in Iligan and Luzon
   k. Medical and Dental missions both in Iligan and Luzon
   l. Dengue Awareness and Prevention and Control Activities in adopted communities in Iligan City
   m. Information, Education, and Communication (IEC) Campaigns on Emergency Response Preparedness and Product Safe Handling in neighbouring communities of Iligan Plant
   n. Quarterly Mobile Blood Donation
   o. International Coastal Clean-up in Iligan
   p. Provision for trash/garbage bins in support to the solid waste segregation program of schools
3. "My Voluntary Contribution Drive" (M.V.C.) aimed to raise funds through employee donations:
   a. To support evacuees of earthquake stricken areas in Mindanao
   b. To supplement educational endeavors such as Brigada Eskwela and indigent school needs
   c. To support employee's hospitalization needs
4. Activities under the Labor-Management Cooperation and through the Industrial Peace Council in Iligan and Council of Solidarity in Luzon were Health Awareness Campaign, Summer Workshop for Kids, Brigada Eskwela, Youth Day and Pamaskong Handog for adopted indigent communities and dependents of Police and Army assigned in Iligan and Marawi and other Community Outreach programs. All these programs were made possible with management-union participation and cooperation.
5. Small Improvement Group Activities-Productivity in Action program (SIGA-SI-PIA) aimed to imbibe a performance-based culture which remains an important direction for the Company.

6. Corporate Council on Quality, Safety, Security, Health and Environment (CCoQSSHE) continuously carried out programs for the health and welfare of the employees and their families/dependents such as the Palaro and year round Sports activities, Family Day, Nutrition Programs, Health Talks and Annual Physical Examination for employees and dependents.
7. Employee Engagement Initiatives through Council of Solidarity were successfully implemented such as Sports Fest, Bowling Tournament, Team Building, Company Outing, Christmas Party, and other thematic activities.

The Company submitted its Integrated Annual Corporate Governance Report (I-ACGR) on 31 May 2019 in compliance with SEC Memorandum circular No.15, series 2017.

The directors and officers of the Corporation have attended Corporate Governance Seminars in compliance with SEC Memorandum Circular No. 20, series of 2013 and the Corporation's Manual on Corporate Governance.

The Independent directors have submitted their Certificates of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

ANNEX "C"

Mabuhay Vinyl Corporation
Top 20 Stockholders
As of 30 April 2020

STOCKHOLDER'S NAME	NATIONALITY	OUTSTANDING SHARES	PERCENTAGE
TOSOH CORPORATION C/O PHILIPPINE RESINS INDUSTRIES, INC., UNIT 2104 ANTEL 2000 CORPORATE CENTER, 121 VALERO ST. SALCEDO VILLAGE, MAKATI CITY	JPN	317,779,029	48.053%
TOSOH CORPORATION 4560 KAISEI-CHO, SHUUNARA-SHI,YAMAGUCHI 746-8501, JAPAN	JPN	264,006,806	39.922%
MITSUBISHI CORPORATION 6-3 MARUNOUCHI 2-CHOME, CHIYODA-KU, TOKYO, JAPAN	JPN	22,260,000	3.366%
MITSUBISHI CORPORATION 14/F, L. V. LOCSIN BLDG.,AYALA AVE. COR MAKATI AVENUE, MAKATI CITY	JPN	17,419,999	2.634%
PCD NOMINEE CORPORATION (FILIPINO) G/F MSKE BLDG., 6767 AYALA AVE, MAKATI CITY	FIL	12,737,729	1.926%
DENNIS T. VILLAREAL 37 NARRA AVENUE,FORBES PARK, MAKATI CITY	FIL	1,203,300	0.182%
WILLIAM LINES, INC. DON SERGING OSMENA BLVD. NORTH RECLAMATION AREA, CEBU CITY	FIL	1,050,000	0.159%
SANTIAGO SR. TANCHAN 166 DON MARIANO CUI ST., CEBU CITY	FIL	765,730	0.116%
GONZALO PUYAT & SONS, INC. 4TH FLR., ENZO BUILDING 399 SEN. GIL PUYAT AVENUE,MAKATI, METRO MANILA	FIL	585,169	0.088%
MULTIFARMS AGRO-INDUSTRIAL DEVELOPMENT CORPORATION M.J. CUENCO AVENUE CORNER,URDANETA STREET, CEBU CITY	FIL	336,000	0.051%
J E L P REAL ESTATE DEVT. CORP. 1 POLK STREET, NORTH GREENHILLS,SAN JUAN, METRO MANILA	FIL	300,000	0.045%
WILFRIDO C. TECSON 4900 PASAY ROAD,DASMARINAS VILLAGE, MAKATI CITY	FIL	300,000	0.045%
YANG SONGBO 150 MARIVELES STREET, QUEZON CITY	CHN	300,000	0.045%
F.C. ROQUE AGRO-INDUSTRIAL C/O NOVALICHES ICE PLANT, PLAZA, NOVALICHES, QUEZON CITY	FIL	255,092	0.039%
KENNETH T. GATCHALIAN 22/F CITIBANK TOWER,PASEO DE ROXAS, MAKATI CITY	FIL	250,000	0.038%
ANA BEATRIZ R. MEDRANO AND/OR VICTORINO S. MEDRANO JR #91 SCOUT FUENTEBELLA STREET, KAMUNING, QUEZON CITY	FIL	250,000	0.038%
FGU INSURANCE CORPORATION 16TH-18TH FLOOR BPI BLDG. AYALA AVENUE CORNER PASEO DE ROXAS, MAKATI CITY	FIL	243,000	0.037%
JACINTO U. TIU C/O PARAMOUNT VINYL CORP., 56 G. DE JESUS STREET, CALOOCAN CITY	FIL	219,493	0.033%
VICTONETA INVESTMENT CORP. VICTONETA PARK, POTRERO, MALABON, METRO MANILA	FIL	213,931	0.032%
RICARDO PARAS C/O ELISA PARAS 19 CATANDUANES ST. WEST AVE., QUEZON CITY	FIL	197,823	0.030%
FELICITO H. TIU C/O GOLD STAR PHIL. TRADERS, LEON GUINTO ST., ILOILO CITY 5000	FIL	186,000	0.028%
GILBERT LIU 1595 QUEZON AVE. QUEZON CITY	FIL	180,000	0.027%
VICENTE TIU	FIL	178,568	0.027%
PCD NOMINEE CORPORATION (NON-FILIPINO) G/F MSKE BLDG., 6767 AYALA AVE, MAKATI CITY	NOF	154,001	0.023%
JOSEFA R. LUZ #3 IPIL ROAD, FORBES PARK, MAKATI CITY	FIL	146,600	0.022%
TOTAL		**641,518,270**	

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE O. JULIANO**, Filipino, of legal age and a resident of 19 Tirad Pass Street, Sta. Mesa Heights, Quezon City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Mabuhay Vinyl Corporation and have been its independent directors since 2008.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Calamba Medical Center	President/CEO	1999 to present
Southern Hospital and Medical Center	Chairman	2015 to present
Luzon Development Bank	Independent Director	2014 to present
St. John Colleges	Independent Director	2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Mabuhay Vinyl Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable) -- NOT APPLICABLE

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be): - NOT APPLICABLE

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE

N/A		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in Mabuhay Vinyl Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – NOT APPLICABLE

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and SEC issuances.

8. I shall inform the Corporate Secretary of Mabuhay Vinyl Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 1 1 2019 day of March 2019, at PASIG CITY City, Philippines.

JOSE O. JULIANO
Affiant

MAR 1 1 2019

SUBSCRIBED AND SWORN to before me this __ day of March 2019 at PASIG CITY City, Philippines, affiant personally appeared before me and exhibited to me his/her Social Security ID No. 03-0001723.

Doc. No. 214
Page No. 44
Book No. XLIII
Series of 2019.

ATTY. EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2019
PTR NO. 3826099 / 1-03-19
IBP NO. 019004 / 12-19-17 / UNTIL 2019
ROLL NO. 26663
TIN NO. 210-588-191-000
MCLE V-0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO PASIG CITY

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO N. MIGRINO**, Filipino, of legal age and a resident of 24 Don Thomas Martigan Street, BF Homes, Paranaque City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Mabuhay Vinyl Corporation and have been its independent directors since 2008.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Apex Mining Co. Inc.	Treasurer	2015 to present
Monte Oro Resources & Energy, Inc.	Director and Treasurer	2018 to present
MORE Electric & Power Corporation	Director	2018 to present
A Brown Company, Inc.	Director and Treasurer	January 2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Mabuhay Vinyl Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable) – NOT APPLICABLE

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be): - NOT APPLICABLE

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in Mabuhay Vinyl Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – NOT APPLICABLE
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and SEC issuances.
8. I shall inform the Corporate Secretary of Mabuhay Vinyl Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 1 1 2019 day of March 2019, at PASIG CITY, City, Philippines.

RENATO N. MIGRINO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 1 2019 day of March 2019 at PASIG CITY City, Philippines, affiant personally appeared before me and exhibited to me his/her Social Security System ID No. 03-1950823-5

Doc. No. 216
Page No. 45
Book No. XLIII
Series of 2019.

ATTY. EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2019
PTR NO. 3826099 / 1-03-19
IBP NO. 019004 / 12-19-17 / UNTIL 2019
ROLL NO. 26353
TIN NO. 210-588-191-000
MCLE V-0004493
2ND FLOOR ARMAL BLDG. URBANO VELASCO AVE. MALINAO PASIG CITY

MABUHAY VINYL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MABUHAY VINYL CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature____________________
Takahiro Machiba
Chairman

Signature____________________
Edwin Ll. Umali
President

Signature____________________
Michael S. Yu
Treasurer

Signed this 27th day of February 2020

MAR 0 9 2020

SUBSCRIBED AND SWORN to before me this __ day of March 2020; affiants exhibiting to me the following:

Takahiro Machiba	347-150-060
Edwin Ll. Umali	106-960-926
Michael S. Yu	193-284-786

Doc. No.: 515;
Page No.: 104;
Book No.: 10;
Series of 2020.

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
2086 E. Pascua St., Makati City
PTR No. 097071/ December 10.2019
IBP 28947/ MCLE No. VI-0020246
Roll No. MKT 8117041/1-02-2020
Appointment No. M-158

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Mabuhay Vinyl Corporation
3rd Floor, Philamlife Building
126 L.P. Leviste Street
Salcedo Village, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Mabuhay Vinyl Corporation and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Determining Physical Quantities and Cost of Inventories

Inventories, consisting mainly of industrial salt and chemicals (e.g., caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite) amounted to ₱233.76 million as at December 31, 2019 and represent 8.1% of consolidated total assets. These inventories are held in various forms throughout the different stages of the production process and are mostly contained in carriers or storage tanks. The physical quantities of inventories on hand, in process or consumed are determined through quantity surveys, soundings and a set percentage of raw material usage based on output. The determination of quantities considers factors such as concentration, density and split of inputs and outputs at different stages in the process, which involve management estimates. The determination of the cost of inventories also involves estimation of the split of inputs and the allocation of costs to the different stages in the production process and to outputs. This is a key audit matter because of the significance of management's estimates in determining the physical quantities and the allocation of costs of the inventory.

The Group's disclosures about inventories are included in Notes 3 and 7 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's processes for cost accumulation and allocation and tested the relevant controls. We evaluated the competence, capabilities and objectivity of independent surveyors by considering their qualifications, experience and reporting responsibilities. We observed how management conducted the physical count and determined the quantities and tested the controls over the quantity conversion. We tested the cost accumulation and its recognition in the accounting system. We tested the inventory costing process for selected sample periods by tracing the inputs to costs to the source documents and recalculating the cost allocation to the different stages of production and outputs.

Valuation of Land Stated at Revalued Amount

The Group's property, plant and equipment include parcels of land which are stated at revalued amount of ₱499.74 million, being the fair value as at December 31, 2019, and represent 17.4% of the consolidated total assets. The determination of the fair values of these properties involve significant judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of land stated at revalued amount as a key audit matter.

The disclosures relating to the land are included in Notes 3 and 10 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the external appraiser considering their qualification, experience and reporting responsibilities. We reviewed the methodology and assumptions used in the valuation of parcels of land. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listing of comparable properties. We also inquired from the external appraiser the basis of adjustments made to sales price.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Manolito R. Elle.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle

Manolito R. Elle
Partner
CPA Certificate No. 106471
SEC Accreditation No. 1618-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 220-881-929
BIR Accreditation No. 08-001998-128-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125233, January 7, 2020, Makati City

February 27, 2020

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱753,574,762**	₱234,455,852
Short-term investments (Note 5)	**422,374,656**	594,904,383
Trade and other receivables (Note 6)	**451,472,086**	562,217,062
Inventories (Notes 7, 15 and 23)	**233,763,735**	252,768,113
Other current assets (Note 8)	**26,105,027**	33,605,219
Total Current Assets	**1,887,290,266**	1,677,950,629
Noncurrent Assets		
Equity instruments designated at fair value through other comprehensive income (FVOCI) [Note 9]	**26,763,417**	29,704,280
Property, plant and equipment		
At cost (Notes 10 and 22)	**429,235,058**	364,986,227
Land of a subsidiary at appraised value (Note 10)	**499,736,000**	494,670,000
Net retirement benefits asset (Note 18)	**–**	2,598,698
Other noncurrent assets (Notes 11 and 22)	**29,160,124**	28,894,265
Total Noncurrent Assets	**984,894,599**	920,853,470
TOTAL ASSETS	**₱2,872,184,865**	₱2,598,804,099
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱139,572,016**	₱204,855,324
Customers' deposits (Note 10)	**22,567,524**	22,257,524
Income tax payable	**35,304,085**	39,210,874
Current portion of lease liabilities (Notes 2 and 22)	**4,818,231**	–
Total Current Liabilities	**202,261,856**	266,323,722
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 2 and 22)	**25,158,260**	–
Deferred income tax liabilities - net (Notes 2, 10 and 19)	**135,423,139**	134,577,921
Net retirement benefits payable (Note 18)	**616,819**	–
Other noncurrent liabilities	**1,793,500**	1,793,500
Total Noncurrent Liabilities	**162,991,718**	136,371,421
Total Liabilities	**365,253,574**	402,695,143
Equity		
Equity attributable to equity holders of the Company		
Capital stock (Note 13)	**661,309,398**	661,309,398
Capital paid in excess of par	**176,594,308**	176,594,308
Revaluation increment - net of deferred income tax effect (Notes 10 and 13)	**340,360,867**	336,814,667
Remeasurement gains on retirement benefits - net of deferred income tax effect (Note 18)	**(2,775,270)**	4,907,246
Reserve for fluctuations in investments in equity instruments (Note 9)	**(5,031,068)**	(2,090,205)
Retained earnings (Note 13):		
Appropriated	**700,000,000**	700,000,000
Unappropriated	**626,830,220**	309,689,586
	2,497,288,455	2,187,225,000
Noncontrolling interest	**9,642,836**	8,883,956
Total Equity	**2,506,931,291**	2,196,108,956
TOTAL LIABILITIES AND EQUITY	**₱2,872,184,865**	₱2,598,804,099

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Revenue from contracts with customers (Note 14)	**₱2,323,002,069**	₱2,853,491,378	₱–
Sale of goods	**–**	–	2,173,255,819
	2,323,002,069	2,853,491,378	2,173,255,819
COST OF GOODS SOLD (Notes 15 and 23)	**(1,370,684,444)**	(1,861,243,217)	(1,603,323,967)
GROSS PROFIT	**952,317,625**	992,248,161	569,931,852
Operating expenses (Notes 2 and 16)	**(476,394,134)**	(438,324,911)	(421,003,953)
Interest income (Notes 4, 5 and 11)	**41,695,985**	15,594,012	5,412,485
Interest expense (Notes 2 and 22)	**(2,246,545)**	–	–
Foreign exchange gain (loss) - net (Note 20)	**67,622**	(2,341,134)	(1,400,404)
Other income - net (Note 17)	**8,390,473**	3,316,462	31,938,468
INCOME BEFORE INCOME TAX	**523,831,026**	570,492,590	184,878,448
PROVISION FOR INCOME TAX (Note 19)			
Current	**157,021,928**	169,898,468	60,781,233
Deferred	**2,617,925**	4,384,160	(2,674,486)
	159,639,853	174,282,628	58,106,747
NET INCOME	**₱364,191,173**	₱396,209,962	₱126,771,701
Net income attributable to:			
Equity holders of the Company	**₱363,432,293**	₱395,743,373	₱126,337,507
Noncontrolling interest	**758,880**	466,589	434,194
	₱364,191,173	₱396,209,962	₱126,771,701
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱0.550**	₱0.598	₱0.191

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱364,191,173**	₱396,209,962	₱126,771,701
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net changes in fair values of available-for-sale investments (Note 13)	–	–	250,000
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Increase in revaluation increment due to appraisal (Note 10)	**5,066,000**	235,508,000	29,361,000
Income tax effect	**(1,519,800)**	(70,652,400)	(8,808,300)
	3,546,200	164,855,600	20,552,700
Remeasurement gains (losses) on retirement benefits (Note 18)	**(10,975,023)**	5,657,692	23,451,914
Income tax effect	**3,292,507**	(1,697,308)	(7,035,574)
	(7,682,516)	3,960,384	16,416,340
Net changes in fair values of equity instruments designated at FVOCI (Note 9)	**(2,940,863)**	2,433,541	–
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**(7,077,179)**	171,249,525	36,969,040
	(7,077,179)	171,249,525	37,219,040
TOTAL COMPREHENSIVE INCOME	**₱357,113,994**	₱567,459,487	₱163,990,741
Total comprehensive income attributable to:			
Equity holders of the Company	**₱356,355,114**	₱566,992,898	₱163,556,547
Noncontrolling interest	**758,880**	466,589	434,194
	₱357,113,994	₱567,459,487	₱163,990,741

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Attributable to the Equity Holders of the Company									
						Retained Earnings (Note 13)				
	Capital Stock (Note 13)	Capital Paid in Excess of Par	Revaluation Increment - Net of Deferred Income Tax Effect (Note 10)	Remeasurement Gains (Losses) on Retirement Benefits - Net of Deferred Income Tax Effect (Note 18)	Reserve for Fluctuations in Investments in Equity Instruments (Note 9)	Appropriated	Unappropriated	Total	Non-controlling Interest	Total
BALANCES AT JANUARY 1, 2017	**₱661,309,398**	**₱176,594,308**	**₱151,406,367**	**(₱15,469,478)**	**(₱329,535)**	**₱–**	**₱554,477,988**	**₱1,527,989,048**	**₱10,976,695**	**₱1,538,965,743**
Net income	–	–	–	–	–	–	126,337,507	126,337,507	434,194	126,771,701
Other comprehensive income	–	–	20,552,700	16,416,340	250,000	–	–	37,219,040	–	37,219,040
Total comprehensive income	–	–	20,552,700	16,416,340	250,000	–	126,337,507	163,556,547	434,194	163,990,741
Cash dividends (Note 13)	–	–	–	–	–	–	(46,291,659)	(46,291,659)	(2,993,522)	(49,285,181)
BALANCES AT DECEMBER 31, 2017	**661,309,398**	**176,594,308**	**171,959,067**	**946,862**	**(79,535)**	**–**	**634,523,836**	**1,645,253,936**	**8,417,367**	**1,653,671,303**
Effect of adoption of PFRS 9, *Financial Instruments*, as at January 1, 2018	–	–	–	–	(4,444,211)	–	25,714,035	21,269,824	–	21,269,824
BALANCES AT JANUARY 1, 2018	**661,309,398**	**176,594,308**	**171,959,067**	**946,862**	**(4,523,746)**	**–**	**660,237,871**	**1,666,523,760**	**8,417,367**	**1,674,941,127**
Net income	–	–	–	–	–	–	395,743,373	395,743,373	466,589	396,209,962
Other comprehensive income	–	–	164,855,600	3,960,384	2,433,541	–	–	171,249,525	–	171,249,525
Total comprehensive income	–	–	164,855,600	3,960,384	2,433,541	–	395,743,373	566,992,898	466,589	567,459,487
Cash dividends (Note 13)	–	–	–	–	–	–	(46,291,658)	(46,291,658)	–	(46,291,658)
Appropriation for the year (Note 13)	–	–	–	–	–	700,000,000	(700,000,000)	–	–	–
BALANCES AT DECEMBER 31, 2018	**661,309,398**	**176,594,308**	**336,814,667**	**4,907,246**	**(2,090,205)**	**700,000,000**	**309,689,586**	**2,187,225,000**	**8,883,956**	**2,196,108,956**
Net income	–	–	–	–	–	–	363,432,293	363,432,293	758,880	364,191,173
Other comprehensive income (loss)	–	–	3,546,200	(7,682,516)	(2,940,863)	–	–	(7,077,179)	–	(7,077,179)
Total comprehensive income (loss)	–	–	3,546,200	(7,682,516)	(2,940,863)	–	363,432,293	356,355,114	758,880	357,113,994
Cash dividends (Note 13)	–	–	–	–	–	–	(46,291,659)	(46,291,659)	–	(46,291,659)
BALANCES AT DECEMBER 31, 2019	**₱661,309,398**	**₱176,594,308**	**₱340,360,867**	**(₱2,775,270)**	**(₱5,031,068)**	**₱700,000,000**	**₱626,830,220**	**₱2,497,288,455**	**₱9,642,836**	**₱2,506,931,291**

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱523,831,026**	₱570,492,590	₱184,878,448
Adjustments for:			
Depreciation and amortization (Note 10)	**79,807,083**	105,252,575	114,922,907
Interest income (Notes 4, 5 and 11)	**(41,695,985)**	(15,594,012)	(5,412,485)
Movement in retirement benefits asset or payable (Note 18)	**(7,759,505)**	(7,949,484)	(4,205,266)
Interest expense (Note 22)	**2,246,545**	–	–
Gain on sale of equipment (Note 17)	**(315,360)**	(435,351)	(153,214)
Accretion of interest on notes receivables (Note 17)	**(248,844)**	(188,541)	(446,401)
Unrealized foreign exchange loss	**221,684**	227,617	75,700
Operating income before working capital changes	**556,086,644**	651,805,394	289,659,689
Decrease (increase) in:			
Trade and other receivables	**118,924,130**	(50,757,745)	(126,169,866)
Inventories	**19,004,378**	17,213,918	(130,865,735)
Other current assets	**9,727,056**	47,571,803	(9,693,434)
Other noncurrent assets	**(4,427,703)**	(4,220,810)	2,580,175
Increase (decrease) in:			
Trade and other payables	**(64,490,043)**	38,720,792	48,972,149
Customers' deposits	**310,000**	1,152,204	(14,897)
Cash generated from operations	**635,134,462**	701,485,556	74,468,081
Income taxes paid, including creditable and final withholding taxes	**(163,155,581)**	(154,820,020)	(58,156,752)
Net cash flows generated from operations	**471,978,881**	546,665,536	16,311,329
CASH FLOWS FROM INVESTING ACTIVITIES			
Withdrawals of (additions to) short-term investments (Note 5)	**172,529,727**	(594,904,383)	–
Acquisitions of property and equipment (Note 10)	**(108,428,149)**	(68,141,905)	(108,317,314)
Interest received	**33,590,268**	8,911,270	4,160,205
Collections of notes receivable (Note 11)	**2,735,268**	2,312,415	690,572
Proceeds from sale of equipment	**649,527**	435,351	446,547
Amounts advanced to suppliers	**–**	(7,016,527)	**–**
Issuance of notes receivable (Note 11)	–	(2,310,000)	(5,426,000)
Net cash from (used in) investing activities	**101,076,641**	(660,713,779)	(108,445,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Note 13)	**(45,268,202)**	(45,291,332)	(48,568,361)
Payment of principal portion of lease liabilities (Note 22)	**(6,200,181)**	–	–
Interest paid (Note 22)	**(2,246,545)**	–	–
Cash used in financing activities	**(53,714,928)**	(45,291,332)	(48,568,361)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(221,684)**	(227,617)	108,344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**519,118,910**	(159,567,192)	(140,594,678)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**234,455,852**	394,023,044	534,617,722
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱753,574,762**	₱234,455,852	₱394,023,044

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Mabuhay Vinyl Corporation (the Company) and its subsidiary, MVC Properties Inc. (MPI), collectively referred to as “the Group”, were incorporated in the Philippines on July 20, 1934 and November 26, 2008, respectively. In 1984, the Board of Directors (BOD) of the Company approved the amendment of its Articles of Incorporation to extend the corporate life of the Company, which expired on July 20, 1984. The amended Articles of Incorporation was approved by the Philippine Securities and Exchange Commission (SEC) in the same year. The Company’s primary purpose is to engage in the business of manufacturing and distributing basic and intermediate chemicals with a wide range of household and industrial applications, including caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite (chlor-alkali). MPI’s principal activity is to lease its parcels of land to the Company. The primary purpose of the subsidiary also includes investing in, purchase or otherwise hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities or obligations of any corporation, association, domestic or foreign, for whatever lawful purpose the same may have been organized.

The Company is 87.97% owned by Tosoh Corporation, the parent company.

The Company operates manufacturing plants in Assumption Heights, Buru-un, Iligan City and Laguna Technopark, Biñan, Laguna. The Company’s registered address is 3rd Floor, Philamlife Building,
126 L. P. Leviste Street, Salcedo Village, Makati City.

The consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were approved for issue by the BOD on February 27, 2020.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost convention, except for land which is carried at revalued amount and equity instruments designated at fair value through other comprehensive income (FVOCI) which are carried at fair value.

The consolidated financial statements are presented in Philippine peso (Peso), which is the Group’s functional and presentation currency. Amounts are rounded to the last Peso, unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary, MPI, a 40%-owned entity over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

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

- Any contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared using consistent accounting policies for the same reporting period as the Company. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Recognizes the Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company has directly disposed of the related assets or liabilities.

<u>Noncontrolling Interest</u>
Noncontrolling interest represents the portion (60%) of income and expense and net assets in MPI not held by the Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separate from the equity attributable to the equity holders of the Company.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16*, Leases*

  PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, Leases, IFRIC 4, *Determining whether an Arrangement contains a Lease,* SIC-15*, Operating Leases-Incentives* and SIC-27*, Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and
  IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

  The Group has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

  The effect of adoption on the financial statements as at January 1, 2019 is as follows:

	Increase (Decrease)
Assets	
Property, plant and equipment	₱34,211,965
Other current assets	(1,601,983)
Deferred tax assets	10,263,590
Liabilities	
Lease liabilities	34,426,705
Trade and other payables	(1,816,723)
Deferred tax liabilities	10,263,590

  Based on the above, as at January 1, 2019:

  - Property and equipment were recognized amounting to ₱34,211,965 representing the amount of right-of-use assets set up on transition date.
  - Additional lease liabilities of ₱34,426,705 were recognized.
  - Prepaid rent under "Other current assets" of ₱1,601,983 and Accrued rent payable under "Trade and other payables" of ₱1,816,723 related to previous operating leases arising from straight lining under PAS 17 were derecognized. Deferred tax impact amounted to ₱64,422.
  - Deferred income tax asset and liability of ₱10,328,012 and ₱10,263,590 was recognized on the lease liabilities and right-of-use assets, respectively.

Prior to adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Other current assets" and "Other noncurrent assets" and "Trade and other payables", respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱45,209,701
Weighted average incremental borrowing rate at 1 January 2019	7.59%
Discounted operating lease commitments at January 2019	35,471,448
Less: Commitments relating to short term leases	1,044,743
Lease liabilities recognized at January 1, 2019	₱34,426,705

The difference between the operating lease commitments as at December 31, 2018 and the lease liabilities recognized at transition date is due to reassessment of minimum fixed commitments.

Due to the adoption of PFRS 16, the Group's consolidated operating profit in 2019 will improve, while its interest expense will increase. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 will not have an impact on equity as at January 1, 2019 since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities or if not probable, the impact is not significant to the consolidated financial statements. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group because the Group's financial instruments do not have prepayment features.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss (ECL) model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying
  PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  o Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group, if any, and is expected to have no significant impact to the consolidated financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments have no significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. This new accounting standard has no significant impact on the consolidated financial statements. The standard is not applicable since the Group has no activities that are connected with insurance or issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

As of December 31, 2019 and 2018, the Group's equity instruments and land are carried at fair value with recurring fair value measurements.

Land is stated at revalued amount based on the fair market value of the property as determined by an independent firm of appraisers.

Financial Instruments
A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets (Effective January 1, 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15. Refer to the *Accounting Policy in Section "Revenue"*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payment for principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Group has no financial assets at FVPL and financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments).

Financial assets at amortized cost (debt instruments). This category is most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash in banks and cash equivalents, short-term investments, trade and other receivables and security and rental deposits included under "Other noncurrent assets".

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments, Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity instruments under this category.

Impairment of financial assets
The Group recognizes an allowance for ECL for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. (a) For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). (b) For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Group uses the ratings published by a reputable rating agency.

For other financial assets such as security and rental deposits and notes receivable, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for expected credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

Financial Assets (Effective prior to January 1, 2018)

Classification and measurement

Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets, as appropriate. As of December 31, 2017, the Group's financial assets consist of loans and receivables and AFS financial assets.

Loans and receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as an AFS financial asset. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group has classified its cash and cash equivalents, trade and other receivables and security and rental deposits included under "Other noncurrent assets" as loans and receivables.

AFS financial assets. AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as part of other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

The Group has classified its investments in shares of stock and golf shares as AFS investments. Impairment of financial assets

Impairment of financial assets
The Group assesses at each reporting period whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. The Group reviews the age and status of the financial assets and evaluates on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior, and other known market factors. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Objective evidence of impairment include, but are not limited to, bankruptcy or insolvency on the part of the customer and adverse changes in the economy. The Group provides an allowance when it is probable that the financial asset will not be collected in the future.

The amount of loss is recognized in the consolidated statement of income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets. For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in consolidated statement of income. Impairment losses on equity instruments are not reversed through profit or loss. Increases in fair value after impairment are recognized as part of OCI.

Financial Liabilities (Effective for All Periods Presented)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and customers' deposits. Gains and losses are recognized in the consolidated statement of income when these other financial liabilities are derecognized, as well as through the amortization process.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at amortized cost (loans and borrowings). This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition of Financial Assets and Liabilities (Effective for All Periods Presented)

Financial assets. A financial asset (or, where applicable, a part of a financial asset or part of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities. A financial liability is derecognized when the obligation under the liability has been discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments (Effective for All Periods Presented)
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and Cash Equivalents and Short-term Investments
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less from dates of acquisition, and are subject to an insignificant risk of changes in value.

Short-term investments are made for varying periods of more than three months but less than one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term placements rates.

Interest income is recognized as the interest accrues, taking into account the effective interest yield of the asset.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value for finished goods, merchandise, work-in-process and raw materials is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale. Net realizable value for materials and supplies is the replacement cost. In determining the net realizable value, the Group considers any adjustment necessary for obsolescence.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheets to the extent of the recoverable amount.

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of “Other current assets” or “Trade and other payables,” respectively, in the consolidated balance sheets.

Prepayments
Prepayments are expenses paid in advance and are recorded as an asset before they are utilized. This account comprises prepaid income tax, and other prepaid items. Prepaid income tax is deducted from income tax payable on the same year the revenue was recognized. Other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Property, Plant and Equipment

Property, plant and equipment, except for land that is carried at revalued amount, are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation specifically for property and equipment installed/constructed on the leased properties. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Land is stated at revalued amount based on the fair market value of the property as determined by an independent firm of appraisers. The increase in the valuation of land, net of deferred income tax liability, is credited to "Revaluation increment" and presented in the equity section of the consolidated balance sheet. Upon disposal, the relevant portion of the revaluation increment realized in respect of the previous valuation will be released from the revaluation increment directly to retained earnings. Decreases that offset previous increases in respect of the same property are charged against the revaluation increment; all other decreases are charged against current operations. The Group obtains an updated appraisal report if there are indicators that the value of the properties may have significantly changed.

The accounting policy on right-of-use assets are discussed under "Leases" section.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings and structures	10 years
Machinery and equipment	3-10 years
Transportation equipment	2-10 years
Office furniture and equipment	3-5 years

Leasehold improvements are amortized over the term of the lease or the life of the assets (average of 10 years), whichever is shorter.

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

When items of property, plant and equipment are sold or retired, their cost and related accumulated depreciation and any impairment in value are removed from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Construction in progress represents projects under construction and is stated at cost (includes cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use. Interest costs on borrowings used to finance the construction of the project are accumulated under this account. Interest costs are capitalized until the project is completed and becomes operational. The capitalized interest is amortized over the estimated useful life of the related assets.

Investment in a Subsidiary

Investment in a subsidiary is accounted for using the cost method less any impairment in value. Under the cost method, distributions from accumulated profits of the investee are recognized as dividend income from the investments.

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Control is exercised over a structured entity, when the purpose and design of the structured entity indicates that the entity is the primary beneficiary of the structured entity.

MPI qualifies as a structured entity. MPI's purpose and design indicates that the Company is the primary beneficiary, thus, it is considered a subsidiary of MVC.

The investment account is derecognized when the Company loses control over the subsidiary.

Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units (CGU) are written down to their recoverable amount. The recoverable amount of these assets is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statement of income.

Capital Stock

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Capital paid in excess of par". When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more readily determinable.

Cash Dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized by the BOD and the distribution is no longer at the discretion of the Company. A corresponding amount is deducted against retained earnings.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

Revenue (Effective January 1, 2018)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Sale of goods
Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally when the goods are delivered to and accepted by the customer. The normal credit term is 30 to 60 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing component, noncash considerations, and considerations payable to the customer, if any.

Shipping revenue
The Group offers shipping services that are included with the sale of goods to the customer. The services can be obtained from other providers and therefore represent distinct services. The Group recognizes revenue upon completion of the related services, which coincides upon the delivery and acceptance of the goods by the customer.

Other services
The Group provides other services to certain customers. The Group recognizes revenue upon completion of the related services.

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

Trade receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under *Financial Assets and Financial Liabilities – Financial assets at amortized cost (debt instruments).*

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

Revenue (Effective Prior to January 1, 2018)

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits will flow to the Group. Net sales is measured at the fair value of the consideration received or receivable, excluding discounts and sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has determined that it is acting as principal in all its revenue arrangements. The following specific criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized when the goods are delivered to and accepted by customers.

Sale of property

Revenue is recognized when the risks and rewards of ownership of the investment property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, revenue is recognized only when all the significant conditions are satisfied.

Other Comprehensive Income (OCI)

OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Group includes changes in revaluation increment on land, fair value fluctuations in investments in equity instruments and remeasurement gains or losses on retirement benefits.

Cost of Goods Sold and Operating Expenses

Cost of goods sold

Cost of goods sold is recognized in the consolidated statement of income when the related goods are sold. These are measured at the fair value of the consideration paid or payable.

Cost of shipping and other services

Cost of shipping and other services are recognized as expense upon completion of the related services, which coincides upon the delivery and acceptance of the goods by the customer.

Operating expenses

Operating expenses are recognized in the consolidated statement of income upon utilization of the services or materials or at the date that these expenses are incurred. These are measured at the fair value of the consideration paid or payable.

Leases (Effective January 1, 2019)

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

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. It is the Group's policy to classify right-of-use assets as part of property, plant and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated balance sheet. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Lease Asset	Useful Life (Lease Term)
Land	5-9 years
Building	1 year and 2 months
Warehouse and storage tanks	2 years and 9 months

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of parking rental (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases (Effective Prior to January 1, 2019)
The Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of income.

Operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Leases (Effective for All Periods Presented)

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Benefit Costs

Retirement benefits payable, as presented in the consolidated balance sheet, is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling, each at the end of the reporting period. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited by the ceiling equivalent to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. All other borrowing costs are expensed as incurred. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing cost is suspended when the active development of a qualifying asset is suspended for an extended period. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Foreign Currency-denominated Transactions and Translation

Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting period. Foreign exchange gains or losses are credited to or charged against current operations.

Income Tax

Current income tax

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

Deferred income tax

Deferred income tax is provided on all temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax liabilities are also recognized for all taxable temporary differences associated with investment in subsidiaries unless the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is not recognized when it arises from initial recognition of an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Income tax relating to items recognized in the consolidated statement of comprehensive income and directly in equity is recognized in the consolidated statement of comprehensive income and not included in the calculation of net income for the year.

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

Earnings Per Share
Basic earnings per share is computed by dividing the net income for the year by the weighted-average number of issued and outstanding shares of stock during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The Company has no potential dilutive common shares.

Provisions and Contingencies
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at the pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Segment Information
For management reporting purposes, the Group considers the manufacturing and distribution of basic and intermediate chemicals as its primary business activity and only operating segment. Such business segment is the basis upon which the Group reports its operating segment information. The operating segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the BOD that makes strategic decisions. The Group has no inter-segment sales and transactions.

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments

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

Evaluation of control over a structured entity

MVC has 40% investment in MPI. The Company leases parcels of land from MPI where its manufacturing plants are situated.

Based on the contractual terms, MVC assessed that the voting rights in MPI are not dominant factor in deciding who controls the entity. Also, it is assessed that there is insufficient equity financing to allow MPI to finance its activities without the non-equity financial support of the Company. Therefore, MVC concluded that MPI is a structured entity under PFRS 10. Moreover, the purpose and design of MPI indicates that MVC is the primary beneficiary, thus, it is considered as a subsidiary of MVC.

Consolidation of MPI

An investee is included in consolidation even in cases where the Company owns less than one-half of the investee's equity, when the substance of the relationship between the Company and the investee indicates that the investee is controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. While the Company has only 40% equity interest in MPI, the Company has majority representation in MPI's BOD. The Company is also designated to appoint personnel to manage the day-to-day operations of MPI. Moreover, the only activity of MPI is to lease out its parcels of land to the Company (see Notes 10 and 23). Based on these facts and circumstances, management concluded that the Company controls MPI and, therefore, included MPI in the consolidated financial statements of the Group.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain to be exercised.

The Group has several lease contracts that include renewal options subject to mutual agreement of both parties and termination options. The Group believes that renewal options are not enforceable as both parties still need to agree to renew, including the terms of the renewal. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under the Philippine laws until both parties come to an agreement on the terms. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised (see Note 22).

Assessment of impairment of nonfinancial assets

The Group assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include: significant under performance relative to expected historical or projected operating results, significant changes in the manner of use of acquired assets or the strategy for overall business and significant negative industry or economic trends. Management assessed that there was no indication of impairment on the Group's property, plant and equipment as of December 31, 2019 and 2018.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur:

Determination of inventory quantities and cost allocation

The Company determines the physical quantities of inventories on hand, in process or consumed through quantity surveys, soundings and a set percentage of raw material usage based on output. The determination of quantities considers factors such as concentration, density and split of inputs and outputs at different stages in the production process, which involve management estimates. Also, valuation of inventories at cost include various cost components and involve estimation of the split of inputs and the allocation of costs to the different stages in the production process and to outputs. The quantities of inventories and the cost allocation could vary significantly as a result of changes in the management's estimate of the factors considered in determining the physical quantities and the allocation of costs of the inventory.

Inventories, net of allowance for losses, amounted to ₱233.76 million and ₱252.77 million as of December 31, 2019 and 2018, respectively (see Note 7).

Revaluation of land

The land, included in property, plant and equipment, is stated at revalued amount as of December 31, 2019 and 2018 based on the fair market value of the property as determined by an independent firm of appraisers. The valuation was made on the basis of the fair market value determined by referring to the character and utility of the properties, comparable property which have been sold or offered for sale recently, and the land's highest and best use in the locality where the property is located. As of December 31, 2019, and 2018, the carrying value of land amounted to ₱499.74 million and ₱494.67 million, respectively (see Note 10).

Estimation of useful lives of property, plant and equipment

The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental factors and anticipated use of the assets. Depreciable property, plant and equipment, net of accumulated depreciation, amounted to ₱395.50 million and ₱344.91 million as of December 31, 2019 and 2018, respectively (see Note 10).

Provision for ECL on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. Trade receivables, net of allowance for ECL, amounted to ₱441.87 million and ₱552.33 million as of December 31, 2019 and 2018, respectively (see Note 6).

Determination of fair value of investment in unquoted equity instruments
The Group determines the fair value of unquoted equity instruments using acceptable valuation technique. The Group has investment in unquoted equity instruments which is measured at fair value using the adjusted net asset value method and discounted for any lack of marketability. Under this method, the fair value is derived by determining the fair values of identifiable assets and liabilities of the investee company. The carrying value of the investment amounted to ₱25.76 million and ₱28.70 million as of December 31, 2019 and 2018, respectively (see Notes 9 and 21).

Estimating the incremental borrowing rate in measuring lease liabilities
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The carrying value of lease liabilities amounted to ₱29.98 million as of December 31, 2019 (see Note 22).

Estimation of retirement benefits cost
The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 18 to the consolidated financial statements and include among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement cost and obligations.

The net retirement benefits liability amounted to ₱0.62 million as of December 31, 2019 while net retirement asset amounted to ₱2.60 million as of December 31, 2018 (see Note 18).

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**₱100,488,841**	₱126,411,442
Short-term deposits	**653,085,921**	108,044,410
	₱753,574,762	₱234,455,852

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of between one day to three months and earn an average interest rate of 3.87% in 2019 and 2.11% in 2018.

Interest income earned on cash and cash equivalents amounted to ₱18.41 million in 2019, ₱9.33 million in 2018 and ₱5.24 million in 2017.

5. Short-term Investments

Short-term investments amounted to ₱422.37 million and ₱594.90 million as of December 31, 2019 and 2018, respectively, and earn average interest rates ranging from 2.90% to 5.75% in 2019 and from 3.95% to 5.50% in 2018.

Interest income earned on short term investments amounted to ₱22.97 million in 2019 and ₱5.87 million in 2018 (nil in 2017).

6. Trade and Other Receivables

	2019	2018
Trade (Note 14):		
Private	**₱444,560,089**	₱556,933,870
Government	**5,579,656**	3,955,557
Related party (Note 23)	**418,962**	130,462
	450,558,707	561,019,889
Interest receivable	**4,409,504**	4,717,443
Notes receivable - current portion (Note 11)	**2,559,861**	2,486,424
Others	**2,636,296**	2,685,588
	460,164,368	570,909,344
Less allowance for ECL	**8,692,282**	8,692,282
	₱451,472,086	₱562,217,062

Trade receivables are noninterest-bearing and are generally on 30-60 day terms.

The allowance for ECL relates to trade receivables. No allowance has been provided on other receivables. There were no movements in the allowance for ECL for the years ended December 31, 2019 and 2018.

7. Inventories

	2019	2018
At cost:		
Finished goods and merchandise (Notes 15 and 23)	**₱161,096,257**	₱136,681,876
Work-in-process	**6,942,943**	3,874,636
Raw materials	**41,286,362**	74,462,531
Materials and supplies	**21,006,382**	25,364,024
	230,331,944	240,383,067
At net realizable value:		
Materials and supplies	**3,431,791**	3,431,791
Finished goods	**–**	8,953,255
	3,431,791	12,385,046
	₱233,763,735	₱252,768,113

Allowance for inventory losses as of December 31, 2019 and 2018 amounted to ₱3.07 million and ₱3.72 million, respectively. The cost of materials and supplies carried at net realizable value amounted to ₱6.50 million as of December 31, 2019 and 2018, while cost of finished goods carried at net realizable value amounted to ₱9.61 million as of December 31, 2018 (nil as of December 31, 2019). Inventories recognized as expense are presented as "Cost of goods sold" in the consolidated statements of income (see Note 15).

8. Other Current Assets

	2019	2018
Prepaid taxes	**₱12,433,202**	₱14,660,066
Advances on purchases	**8,582,263**	3,898,788
Input VAT - net	**1,979,724**	12,994,574
Prepaid insurance	**1,127,283**	268,289
Software subscription	**623,094**	569,877
Other prepayments	**1,359,461**	1,213,625
	₱26,105,027	₱33,605,219

Advances on purchases pertain to advances made to suppliers for purchase of goods and services.

Prepaid taxes include creditable withholding taxes to be applied against income tax payable.

9. Equity Instruments Designated at FVOCI

	2019	2018
Quoted equity instruments:		
Listed companies	**₱399,915**	₱399,915
Golf shares	**600,000**	600,000
	999,915	999,915
Unquoted equity instruments:		
Balance at beginning of year	**28,704,365**	26,270,824
Changes in fair value included in OCI	**(2,940,863)**	2,433,541
Balance at end of year	**25,763,502**	28,704,365
	₱26,763,417	₱29,704,280

The fair value of investments in shares of listed companies was based on their bid prices as of December 31, 2019 and 2018. Fair value of golf shares was based on club share quotes that are publicly available from the local dailies and websites of club share brokers as of December 31, 2019 and 2018.

The investment in unquoted equity instruments consists of investments in 3,813 preferred, redeemable, non-convertible, non-voting shares of Tosoh Polyvin Corporation (TPC), representing 3% of total preferred shares and 10% of TPC's issued capital stock equivalent to 22,478 common shares. The fair value of the investment in unquoted equity instruments was based on the adjusted net asset value approach and discounted by lack of marketability.

As a result of the adoption PFRS 9 starting January 1, 2018, the Group remeasured the unquoted equity instrument at fair value (previously measured at cost less impairment). Consequently, the Group reclassified the impairment loss previously charged against "Retained earnings" amounting ₱25.71 million as at January 1, 2018 to "Reserve for fluctuations in investments in equity instruments". Also, reserve for fluctuation in investment in equity instruments increased by ₱4.44 million as of January 1, 2018.

The following table presents the movements in "Reserve for fluctuations in investments in equity instruments":

	2019	2018
Balances at January 1	**(₱2,090,205)**	(₱4,523,746)
Change in fair value included in OCI	**(2,940,863)**	2,433,541
Balances at December 31	**(₱5,031,068)**	(₱2,090,205)

The Group follows the specific identification method in determining the cost of any investment in equity securities sold.

10. Property, Plant and Equipment

a. Property, plant and equipment at cost consist of:

As of December 31, 2019

	Beginning Balances, as Previously Reported	Adoption of PFRS 16 (See Note 2)	Beginning Balances, as Restated	Additions	Disposals/ Retirement	Reclassifi-cations	Ending Balances
Cost							
Land improvements	**₱41,141,112**	**₱–**	**₱41,141,112**	**₱–**	**(₱17,668)**	**₱247,605**	**₱41,371,049**
Buildings and structures	**298,516,440**	**–**	**298,516,440**	**–**	**(16,218,732)**	**21,924,096**	**304,221,804**
Machinery and equipment	**1,734,472,314**	**–**	**1,734,472,314**	**136,589**	**(31,214,866)**	**43,095,792**	**1,746,489,829**
Transportation equipment	**247,628,481**	**–**	**247,628,481**	**3,593,365**	**(9,592,922)**	**23,696,277**	**265,325,201**
Office furniture and equipment	**42,833,867**	**–**	**42,833,867**	**1,679,455**	**(1,879,217)**	**220,129**	**42,854,234**
Leasehold improvements	**10,149,707**	**–**	**10,149,707**	**–**	**–**	**170,000**	**10,319,707**
Right-of-use asset - land	**–**	**26,190,030**	**26,190,030**	**1,749,967**	**–**	**–**	**27,939,997**
Right-of-use asset - building	**–**	**2,260,911**	**2,260,911**	**–**	**–**	**–**	**2,260,911**
Right-of-use asset - Warehouse and storage tanks	**–**	**5,761,024**	**5,761,024**	**–**	**–**	**–**	**5,761,024**
	2,374,741,921	**34,211,965**	**2,408,953,886**	**7,159,376**	**(58,923,405)**	**89,353,899**	**2,446,543,756**
Accumulated Depreciation							
Land improvements	**32,600,688**	**–**	**32,600,688**	**1,145,201**	**(17,668)**	**–**	**33,728,221**
Buildings and structures	**258,115,227**	**–**	**258,115,227**	**7,118,426**	**(16,218,732)**	**–**	**249,014,921**
Machinery and equipment	**1,492,754,815**	**–**	**1,492,754,815**	**39,802,519**	**(31,214,866)**	**–**	**1,501,342,468**
Transportation equipment	**197,790,842**	**–**	**197,790,842**	**23,026,021**	**(9,258,755)**	**–**	**211,558,108**
Office furniture and equipment	**41,288,454**	**–**	**41,288,454**	**1,013,906**	**(1,879,217)**	**–**	**40,423,143**
Leasehold improvements	**7,278,143**	**–**	**7,278,143**	**583,168**	**–**	**–**	**7,861,311**
Right-of-use asset - land	**–**	**–**	**–**	**3,085,000**	**–**	**–**	**3,085,000**
Right-of-use asset - building	**–**	**–**	**–**	**1,937,924**	**–**	**–**	**1,937,924**

(Forward)

	Beginning Balances, as Previously Reported	Adoption of PFRS 16 (See Note 2)	Beginning Balances, as Restated	Additions	Disposals/ Retirement	Reclassifi- cations	Ending Balances
Right-of-use asset - warehouse and storage tanks	**₱–**	**₱–**	**₱–**	**₱2,094,918**	**₱–**	**₱–**	**₱2,094,918**
	2,029,828,169	**–**	**2,029,828,169**	**79,807,083**	**(58,589,238)**	**–**	**2,051,046,014**
Construction in progress	**20,072,475**	**–**	**20,072,475**	**103,018,740**	**–**	**(89,353,899)**	**33,737,316**
Net Book Values	**₱364,986,227**	**₱34,211,965**	**₱399,198,192**	**₱30,371,033**	**(₱334,167)**	**₱–**	**₱429,235,058**

As of December 31, 2018

	Beginning Balances	Additions	Disposals/ Retirement	Reclassifications	Ending Balances
Cost					
Land improvements	₱40,874,085	₱–	₱–	₱267,027	₱41,141,112
Buildings and structures	294,254,871	–	–	4,261,569	298,516,440
Machinery and equipment	1,685,270,435	304,641	–	48,897,238	1,734,472,314
Transportation equipment	239,145,380	5,261,606	(3,504,777)	6,726,272	247,628,481
Office furniture and equipment	41,665,319	1,151,762	–	16,786	42,833,867
Leasehold improvements	10,149,707	–	–	–	10,149,707
	2,311,359,797	6,718,009	(3,504,777)	60,168,892	2,374,741,921
Accumulated Depreciation					
Land improvements	30,748,311	1,852,377	–	–	32,600,688
Buildings and structures	249,225,231	8,889,996	–	–	258,115,227
Machinery and equipment	1,423,449,285	69,305,530	–	–	1,492,754,815
Transportation equipment	177,728,632	23,566,987	(3,504,777)	–	197,790,842
Office furniture and equipment	40,231,580	1,056,874	–	–	41,288,454
Leasehold improvements	6,697,332	580,811	–	–	7,278,143
	1,928,080,371	105,252,575	(3,504,777)	–	2,029,828,169
Construction in progress	18,817,471	61,423,896	–	(60,168,892)	20,072,475
Net Book Values	₱402,096,897	(₱37,110,670)	₱–	₱–	₱364,986,227

Cylinders, included under machinery and equipment, are used to store and transport the Group's finished goods to customers. The Group receives deposits from the customers while the cylinders are in the latter's possession. The customers' deposits are refundable when the cylinders are surrendered. Outstanding customers' deposits as of December 31, 2019 and 2018 amounted to ₱22.57 million and ₱22.26 million, respectively.

Construction in progress

Included in the construction in progress is an amount of ₱18.59 million as of December 31, 2019 relating to expenditures for machinery and equipment and an amount of ₱13.48 million as of December 31, 2018 relating to expenditures for buildings and structures. As of December 31, 2019 and 2018, the Group has no significant firm capital commitments relating to the completion of construction in progress.

b. Land of a subsidiary at appraised value as of December 31, 2019 and 2018 consists of:

	2019	2018
Cost	**₱13,506,189**	₱13,506,189
Appraisal increase:		
Balances at beginning of year	**481,163,811**	245,655,811
Increase in revaluation increment due to appraisal	**5,066,000**	235,508,000
Balances at end of year	**486,229,811**	481,163,811
	₱499,736,000	₱494,670,000

As of December 31, 2019, and 2018, the parcels of land are stated at revalued amount categorized under Level 3 based on the appraisal report dated November 2019 and January 2019, respectively, by SEC-accredited and independent appraisal companies. The appraised value as of December 31, 2019 and 2018 was determined using the Market Approach wherein the market prices for comparable property listings are adjusted to account for the marketability, nature, bargaining allowance, location and size of the specific properties.

The significant unobservable input to the valuation is the price per square meter of ₱1,550 to ₱9,000 in 2019 and ₱1,400 to ₱7,500 in 2018. Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value. The valuation considers an industrial land development as the highest and best use of the properties.

As of December 31, 2019, and 2018, the revaluation increment, net of the deferred income tax effect, amounted to ₱340.36 million and ₱336.81 million, respectively.

On March 19, 2009, the Company's BOD approved the transfer/assignment of ownership of the Company's parcels of land located at Buru-un, Iligan City and Biñan, Laguna in exchange for the shares of stock of MPI. On September 1, 2009, the Company and MPI executed a Deed of Exchange whereby the Company ceded, transferred and conveyed unto MPI, in a manner absolute and irrevocable, the said parcels of land (excluding any improvements thereon) free and clear of all liens and encumbrances, and all its rights, title and interest therein, in exchange for 5,131,515 Common A shares of MPI (representing 40% interest) with a par value of ₱30 per share or total value of ₱153,945,450. The transaction was considered a tax free exchange, except for documentary stamp taxes, as certified by the Bureau of Internal Revenue (BIR).

The parcels of land are owned by MPI and are included in the consolidated financial statements in compliance with PFRS. The Company leases the land from MPI. The lease rentals have been eliminated in the consolidated financial statements. The title to the land remains with MPI and will not be transferred to the Company.

11. **Other Noncurrent Assets**

	2019	2018
Security and rental deposits (Note 22)	**₱16,275,785**	₱15,468,535
Notes receivable - noncurrent portion (Note 6)	**3,849,343**	6,409,204
Advances to suppliers	**9,034,996**	7,016,526
	₱29,160,124	₱28,894,265

In 2018 and 2017, the Company granted loans to third party borrowers with a total principal amount of
₱2.31 million and ₱5.43 million, respectively, with an interest of 8% per annum. The loans are collectible in monthly amortizations over five years. The loans are secured by certain motor vehicles owned by the borrowers. Interest income earned on notes receivable amounted to ₱0.32 million in 2019, ₱0.40 million in 2018 and ₱0.17 million in 2017.

Advances to suppliers significantly represent downpayments to suppliers for purchases of property and equipment.

12. **Trade and Other Payables**

	2019	2018
Trade payables	**₱43,885,730**	₱113,938,358
Accrued expenses	**73,222,973**	72,243,869
Dividends payable (Note 13)	**13,108,582**	12,085,125
Withholding taxes and other payables	**3,998,880**	1,205,789
Contract liabilities (Note 14)	**1,761,134**	1,895,065
Others	**3,594,717**	3,487,118
	₱139,572,016	₱204,855,324

Trade payables are noninterest-bearing and are normally settled on 15-day to 60-day terms.

Accrued expenses consist mainly of accruals for shipping and delivery expenses, cost of power, professional fees and rental expenses. These are noninterest-bearing and have average terms of one to two months.

Total intercompany payable eliminated upon consolidation amounted to ₱2.75 million and ₱2.03 million as of December 31, 2019 and 2018, respectively.

13. **Equity**

Capital Stock

The number of shares authorized, issued and outstanding as of December 31, 2019 and 2018 are as follows:

Authorized at ₱1 par value per share	1,072,942,532
Issued and outstanding	661,309,398

Track Record of Registration of Securities

Authorized capital stock

Date	Activity	Par Value	No. of Common Shares	Balance
February 5, 1997	Authorized	₱1.00	–	₱1,200,000,000
December 28, 2007	Retirement of capital stock	1.00	(100,057,468)	1,099,942,532
August 31, 2011	Retirement of capital stock	1.00	(27,000,000)	1,072,942,532

Issued and outstanding

Date	Activity	Offer Price	No. of Common Shares	Balance
February 5, 1997	Issued and outstanding before listing	₱–	–	₱433,785,389
February 5, 1997	Issued during offer	1.90	223,187,000	656,972,389
June 15, 1997	Stock dividend	–	131,394,477	788,366,866
December 28, 2007	Retirement of capital stock	–	(100,057,468)	688,309,398
August 31, 2011	Retirement of capital stock	–	(27,000,000)	661,309,398

The Company’s shares are listed on and traded at the Philippine Stock Exchange (PSE) and the number of equity holders of the Company was 2,283 and 2,291 as of December 31, 2019 and 2018, respectively. The Company received its permit to offer its shares to the public from the Philippine SEC on October 7, 1996.

Retained Earnings

Below is a summary of the dividends declared for the years ended December 31, 2019, 2018 and 2017:

Date of Declaration	Date of Record	Dividend rate	Dividend per share
April 27, 2017	May 26, 2017	7%	0.07
April 26, 2018	May 21, 2018	7%	0.07
April 25, 2019	May 23, 2019	7%	0.07

Movements of dividends payable follow:

	2019	2018
Balances at beginning of year	**₱12,085,125**	₱11,084,799
Cash dividends declared	**46,291,659**	46,291,658
Payment of dividends	**(45,268,202)**	(45,291,332)
Balances at end of year	**₱13,108,582**	₱12,085,125

Retained earnings include ₱46.84 million and ₱39.89 million as of December 31, 2019 and 2018, respectively, representing deferred income tax assets and retained earnings of MPI, which are not available for dividend declaration.

On November 21, 2018, the BOD issued a resolution to appropriate retained earnings of ₱700 million for future projects and capital expenditures. Details of the appropriated retained earnings as at December 31, 2019 and 2018 follows:

Projects	Time Line	Amount
Future projects and capital expenditures	2020 - 2023	₱700,000,000

On February 27, 2020, the BOD issued a resolution to make an additional appropriation on retained earnings of ₱300 million for future projects and capital expenditures.

Movements of OCI

	Revaluation Increment -Net of Deferred Income Tax Effect	Remeasurement Gains (Losses) on Retirement Benefits - Net of Deferred Income Tax Effect	Reserve for Fluctuations in Investments in Equity Instruments	Total
BALANCES AT JANUARY 1, 2017	₱151,406,367	(₱15,469,478)	(₱329,535)	₱135,607,354
Increase in revaluation increment due to appraisal	20,552,700	–	–	20,552,700
Remesurement gains on retirement benefits	–	16,416,340	–	16,416,340
Net changes in fair values of AFS investments	–	–	250,000	250,000
BALANCES AT DECEMBER 31, 2017	171,959,067	946,862	(79,535)	172,826,394
Effect of adoption of PFRS 9 (Note 9)	–	–	(4,444,211)	(4,444,211)
BALANCES AT JANUARY 1, 2018	171,959,067	946,862	(4,523,746)	168,382,183
Increase in revaluation increment due to appraisal	164,855,600	–	–	164,855,600
Remesurement gains on retirement benefits	–	3,960,384	–	3,960,384
Net changes in fair values on equity instruments designated at FVOCI	–	–	2,433,541	2,433,541
BALANCES AT DECEMBER 31, 2018	336,814,667	4,907,246	(2,090,205)	339,631,708
Increase in revaluation increment due to appraisal	3,546,200	–	–	3,546,200
Remesurement losses on retirement benefits	–	(7,682,516)	–	(7,682,516)
Net changes in fair values on equity instruments designated at FVOCI	–	–	(2,940,863)	(2,940,863)
BALANCES AT DECEMBER 31, 2019	**₱340,360,867**	**(₱2,775,270)**	**(₱5,031,068)**	**₱332,554,529**

14. Revenue from Contracts with Customers

Disaggregated Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, 2019 and 2018:

	2019	2018
By type		
Goods	**₱2,021,619,872**	₱2,573,961,118
Shipping revenue	**281,198,172**	266,333,289
Others	**20,184,025**	13,196,971
	₱2,323,002,069	₱2,853,491,378
By customers		
Private	**₱2,280,296,736**	₱2,816,565,069
Government	**38,682,624**	34,359,919
Related party (Note 23)	**4,022,709**	2,566,390
Total revenue from contracts with customers	**₱2,323,002,069**	₱2,853,491,378

Contract Balances

The Group's trade receivables amounted to ₱450.56 million and ₱561.02 million as at December 31, 2019 and 2018, respectively. The decrease in trade receivables is due to decrease in sales during the year (see Note 6).

The Group's contract liabilities pertain to advanced payments from customers amounting to ₱1.76 million and ₱1.90 million as at December 31, 2019 and 2018, respectively. The decrease in contract liabilities pertain to application to sales orders in 2019.

Set out below is the amount of revenue recognized from:

	2019	2018
Amounts included in contract liabilities at the beginning of the year	**₱1,895,065**	₱2,977,629
Performance obligations satisfied in previous years	**–**	–

The Group has no contract assets as at December 31, 2019 and 2018.

Performance Obligations

For the sale of goods, the performance obligation is satisfied upon the delivery of the goods and payment is generally due within 30 to 60 days from delivery.

15. Cost of Goods Sold

	2019	2018	2017
Finished goods and merchandise inventories, January 1	**₱146,288,379**	₱186,055,454	₱75,875,445
Raw materials used and merchandise purchased (Note 23)	**1,123,534,921**	1,547,812,986	1,456,778,834
Direct labor	**36,352,762**	35,813,255	34,945,933

(Forward)

	2019	2018	2017
Manufacturing overhead:			
Supplies and facilities	**₱43,366,485**	₱34,422,479	₱26,847,147
Supervision and indirect labor	**42,244,651**	41,737,200	39,023,898
Depreciation (Note 10)	**40,483,440**	72,608,364	81,315,605
Repairs and maintenance	**38,313,501**	28,087,794	23,167,094
Taxes and licenses	**14,782,999**	14,702,596	16,801,969
Rent and utilities (Note 22)	**7,657,576**	6,743,582	6,400,291
Others	**41,824,294**	36,267,822	31,109,125
Total manufacturing cost and merchandised purchased	**1,388,560,629**	1,818,196,078	1,716,389,896
Decrease (increase) in work in process inventories	**(3,068,307)**	3,280,064	(2,885,920)
Cost of goods manufactured and merchandise purchased	**1,385,492,322**	1,821,476,142	1,713,503,976
Total goods available for sale	**1,531,780,701**	2,007,531,596	1,789,379,421
Finished goods and merchandise inventories, December 31	**(161,096,257)**	(146,288,379)	(186,055,454)
	₱1,370,684,444	₱1,861,243,217	₱1,603,323,967

16. **Operating Expenses**

	2019	2018	2017
Shipping and delivery	**₱281,198,172**	₱266,333,289	₱238,796,449
Depreciation (Note 10)	**39,323,643**	32,644,212	33,607,302
Salaries and wages (Note 23)	**29,909,633**	28,580,392	28,200,497
Rent, light and water (Note 22)	**18,750,920**	18,787,519	15,508,772
Taxes and licenses	**17,993,288**	15,606,466	11,164,314
Employee benefits	**17,038,716**	15,422,660	13,350,206
Supplies	**16,958,245**	12,863,050	9,925,515
Repairs and maintenance	**14,079,502**	10,725,700	12,776,420
Professional fees	**6,679,546**	7,580,006	8,826,426
Insurance	**4,770,283**	7,065,059	5,708,842
Retirement benefits costs (Note 18)	**4,240,494**	5,747,824	7,794,734
Transportation and travel	**3,805,324**	3,616,913	2,712,329
Communication	**2,358,932**	2,613,990	2,713,292
Entertainment, amusement and recreation	**1,440,704**	1,580,536	1,378,501
Provision for contingencies (Note 25)	**–**	–	20,000,000
Others	**17,846,732**	9,157,295	8,540,354
	₱476,394,134	₱438,324,911	₱421,003,953

Professional fees include remuneration of some members of the BOD amounting to ₱0.76 million in 2019, ₱0.80 million in 2018 and ₱0.69 million in 2017.

17. **Other Income - Net**

	2019	2018	2017
Sale of scraps	**₱7,873,118**	₱117,389	₱71,961
Gain on sale of equipment	**315,360**	435,351	153,214
Collection of previously written off receivable	**–**	175,234	175,234
Other service income	**–**	–	29,895,013
Others – net (Note 25)	**201,995**	2,588,488	1,643,046
	₱8,390,473	₱3,316,462	₱31,938,468

Others include accretion of interest on notes receivable, rent income, reversal of excess provision for contingencies, docking fee and miscellaneous charges.

18. **Retirement Benefits Cost**

The Company has a funded, non-contributory defined benefit retirement plan providing for death and retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the plan. The retirement benefits liability is determined according to the plan formula, taking into account the service rendered and compensation of covered employees as of valuation date.

The following tables summarize the components of net retirement expense recognized in the consolidated statements of income, other comprehensive income and the funding status and amounts recognized in the consolidated balance sheets.

The components of retirement benefits cost (income) are as follows:

	2019	2018	2017
Current service cost	**₱4,435,397**	₱5,217,088	₱5,835,411
Net interest cost (income)	**(194,903)**	530,736	1,959,323
Retirement expense recognized in profit or loss (Note 16)	**4,240,494**	5,747,824	7,794,734
Remeasurements recognized in OCI	**10,975,023**	(5,657,692)	(23,451,914)
Retirement benefit costs (income)	**₱15,215,517**	₱90,132	(₱15,657,180)

The remeasurements on retirement benefits consists of:

	2019	2018	2017
Gains (losses) on obligation arising from:			
Changes in financial assumptions	**(₱14,914,910)**	₱11,836,785	₱3,051,768
Experience adjustments	**1,488,800**	(661,661)	17,161,874
	(13,426,110)	11,175,124	20,213,642
Gains (losses) on plan assets	**2,451,087**	(5,517,432)	3,238,272
Remeasurement gains (losses)	**(₱10,975,023)**	₱5,657,692	₱23,451,914

The details of the retirement benefits payable (asset) are as follows:

	2019	2018
Present value of defined benefits obligation	**₱104,801,110**	₱89,932,473
Fair value of plan assets	**(104,184,291)**	(92,531,171)
Net retirement benefits payable (asset)	**₱616,819**	(₱2,598,698)

The movements in the retirement benefits payable (asset) are as follows:

	2019	2018
Balances at beginning of year	**(₱2,598,698)**	₱9,311,170
Retirement benefit costs	**15,215,517**	90,132
Contributions	**(12,000,000)**	(12,000,000)
Balances at end of year	**₱616,819**	(₱2,598,698)

Changes in the present value of retirement benefit obligation are as follows:

	2019	2018
Balances at beginning of year	**₱89,932,473**	₱97,601,233
Current service cost	**4,435,397**	5,217,088
Interest cost on benefit obligation	**6,744,935**	5,563,270
Benefits paid	**(9,737,805)**	(7,273,994)
Remeasurement losses (gains) on obligation from:		
Change in assumptions	**14,914,910**	(11,836,785)
Experience adjustments	**(1,488,800)**	661,661
Balances at end of year	**₱104,801,110**	₱89,932,473

Changes in the fair value of plan assets are as follows:

	2019	2018
Balances at beginning of year	**₱92,531,171**	₱88,290,063
Interest income on plan assets	**6,939,838**	5,032,534
Contributions	**12,000,000**	12,000,000
Benefits paid	**(9,737,805)**	(7,273,994)
Remeasurement gains (losses)	**2,451,087**	(5,517,432)
Balances at end of year	**₱104,184,291**	₱92,531,171

Actual return (loss) on plan assets is as follows:

	2019	2018	2017
Interest income on plan assets	**₱6,939,838**	₱5,032,534	₱4,439,664
Remeasurement gains (losses)	**2,451,087**	(5,517,432)	3,238,272
	₱9,390,925	(₱484,898)	₱7,677,936

The fund is administered by a trustee bank (Trustee). The Trustee is responsible for investment of the assets. The Trustee proposes an investment strategy based on the investment instructions and, as approved, executes such strategy. When defining the investment strategy, the Trustee takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The control, direction, and management of the fund shall reside in and be the sole responsibility of the Trustee.

The major categories of the net plan assets are as follows:

	2019	2018
Cash	**1.73%**	7.03%
Investments in debt securities:		
Government securities	**51.42%**	44.74%
Corporate debt securities	**19.86%**	19.57%
Investments in equity securities:		
Property	**6.72%**	5.60%
Holding firms	**12.09%**	14.74%
Bank	**3.34%**	2.90%
Telecommunications	**1.77%**	1.88%
Power and utilities	**1.55%**	1.89%
Food, beverage and tobacco	**0.34%**	0.51%
Retail	**0.74%**	0.86%
Transportation services	**0.44%**	0.28%
	100.00%	100.00%

The management and its trustee bank reviews the performance of the plan on a regular basis and assesses whether the plan will achieve an investment return which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews its solvency position on an annual basis and estimates, through the actuary, the expected contribution to the plan in the subsequent year.

The Company expects to contribute ₱12.00 million in 2020.

The assumptions used to determine retirement benefits obligation as of January 1 are as follows:

	2019	2018	2017
Discount rate	**7.50%**	5.70%	5.30%
Salary increase rate	**6.00%**	6.00%	6.00%

The latest actuarial valuation made for the plan was as of December 31, 2019.

As of December 31, 2019, discount rate and salary increase rate are 5.70% and 6.00%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

2019

	Increase (decrease) in rate	**Amount**
Discount rate		
Assumption 1	**+0.5%**	**(₱3,208,873)**
Assumption 2	**-0.5%**	**4,751,809**
Future salary increase rate		
Assumption 1	**+0.5%**	**4,389,283**
Assumption 2	**-0.5%**	**(2,908,261)**

2018

	Increase (decrease) in rate	Amount
Discount rate		
Assumption 1	+0.5%	(₱2,816,855)
Assumption 2	-0.5%	3,004,553
Future salary increase rate		
Assumption 1	+0.5%	2,765,882
Assumption 2	-0.5%	(2,615,474)

The maturity profile of the undiscounted benefits payment as of December 31 follows:

	2019	2018	2017
Not later than one year	**₱16,377,631**	₱8,775,667	₱8,076,010
Later than one year and not later than five years	**42,291,464**	55,844,093	41,909,269
Later than five years	**66,271,140**	57,550,098	57,721,712

19. Income Taxes

a. The current provision for income tax consists of the following:

	2019	2018	2017
Regular corporate income tax	**₱148,691,757**	₱167,777,868	₱59,709,039
Final tax	**8,330,171**	2,120,600	1,072,194
	₱157,021,928	₱169,898,468	₱60,781,233

b. The components of the net deferred income tax liabilities of the Group are as follows:

	2019	2018
Deferred income tax assets on:		
Lease liabilities	**₱8,992,947**	₱–
Net retirement benefits payable and unamortized past service cost	**5,958,098**	5,363,710
Allowances for:		
Doubtful accounts	**2,607,685**	2,607,685
Inventory losses	**919,537**	1,115,511
Other noncurrent liabilities	**538,050**	538,050
Provision for incentives	**167,672**	197,048
Deferred lease	**17,847**	27,584
Accrued leases	**–**	945,206
	19,201,836	10,794,794
Deferred income tax liabilities on:		
Revaluation increment	**145,868,944**	144,349,144
Right-of-use assets	**8,653,227**	–
Premium on notes receivable	**83,037**	157,690
Unrealized foreign exchange gains	**19,767**	86,272
Net retirement benefits asset	**–**	779,609
	154,624,975	145,372,715
Net deferred income tax liabilities	**(₱135,423,139)**	(₱134,577,921)

The reconciliation of the net deferred income tax liabilities of the Group are as follows:

	2019	2018	2017
Balances at beginning of year	**(₱134,577,921)**	(₱57,844,053)	(₱44,674,665)
Recognized in profit or loss	**(2,617,925)**	(4,384,160)	2,674,486
Recognized in OCI	**1,772,707**	(72,349,708)	(15,843,874)
Balances at end of year	**(₱135,423,139)**	(₱134,577,921)	(₱57,844,053)

a. A reconciliation of income tax computed at the statutory income tax rate to the provision for income tax reflected in the consolidated statements of income is as follows:

	2019	2018	2017
Income tax at statutory rate	**₱157,149,308**	₱171,147,777	₱55,463,534
Increase (decrease) in provision for income tax resulting from:			
Interest income subjected to final tax	**(4,082,447)**	(2,437,326)	(501,682)
Nondeductible expenses	**6,572,992**	5,572,177	3,144,895
Provision for income tax	**₱159,639,853**	₱174,282,628	₱58,106,747

20. Financial Risk Management Objectives and Policies

The Group's principal financial assets include trade and other receivables, cash and cash equivalents and short-term investments that are derived directly from operations. The Group's principal financial liabilities comprise of trade and other payables, the main purpose of which is to finance the Group's operations. The Group does not engage in any trading of financial instruments.

The following are the Group's financial assets and liabilities:

	2019	2018
Equity instruments designated at FVOCI:		
Quoted	**₱999,915**	₱999,915
Unquoted	**25,763,502**	28,704,365
	26,763,417	29,704,280
Debt instruments at amortized cost:		
Cash in banks and cash equivalents	**751,514,762**	232,395,852
Short-term investments	**422,374,656**	594,904,383
Trade and other receivables	**451,472,086**	562,217,062
Notes receivables - noncurrent	**3,849,343**	6,409,204
Security and rental deposits*	**4,692,322**	6,256,632
	1,633,903,169	1,402,183,133
Total financial assets	**₱1,660,666,586**	₱1,431,887,413
Current	**₱1,625,361,504**	₱1,389,517,297
Noncurrent	**35,305,082**	42,370,116
Total financial assets	**₱1,660,666,586**	₱1,431,887,413

(Forward)

	2019	2018
Other financial liabilities:		
Trade and other payables**	**₱133,812,002**	₱201,754,470
Customers' deposits	**22,567,524**	22,257,524
Lease liabilities	**29,976,491**	–
Total financial liabilities	**₱186,356,017**	₱224,011,994

**Excluding nonfinancial deposits amounting to ₱11,583,463 and ₱9,211,903 as of December 31, 2019 and 2018, respectively.*
***Excluding nonfinancial liabilities amounting to ₱5,760,014 and ₱3,100,854 as of December 31, 2019 and 2018, respectively.*

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group's exposure to equity price risk resulting from changes in the fair value of its investment in equity securities is not significant. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows from the Group's foreign-currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

The Group's exposure to foreign currency risk primarily arises from deposits and placements in foreign currency and importation of finished goods, raw materials and equipment. The Group manages this exposure by matching its receipts and payments for each individual currency. Purchases of finished goods and raw materials are subject to an open account from foreign suppliers and are settled immediately through a purchase of dollars from a local bank at spot rate once all documentation requirements are complete. The Group may also enter into currency forward contracts to manage the currency risks. There are no currency forward contracts outstanding as of December 31, 2019 and 2018.

The foreign currency-denominated financial instruments of the Group as of December 31 are as follows:

	2019	2018
Cash	**US$263,462**	US$516,679
Trade receivables	**145,720**	218,678
Trade payables	**(7,397)**	(1,142,586)
	401,785	(407,229)
Closing exchange rate	**50.64**	52.58
Peso equivalent	**₱20,346,392**	(₱21,412,101)

The net foreign exchange losses (gains) amounted to (₱0.07) million in 2019, ₱2.34 million in 2018 and ₱1.40 million in 2017.

The following table shows the effect on income before income tax for the year ended due to a reasonably possible change in foreign currency rates. There is no other impact on the Group's equity other than those affecting net income.

	Increase (decrease) in rate	Effect on income before income tax
2019	**1.8%**	**₱366,199**
	(1.8%)	**(366,199)**
2018	4.5%	(963,544)
	(4.5%)	963,544

The sensitivity analysis takes into account historical movements of Peso in every US$1 foreign exchange rates. The foreign exchange rates amounted to ₱50.64 and ₱52.58 per US$ as of December 31, 2019 and 2018, respectively. The Group assumes parallel upward and downward effect on income due to a reasonably possible change in these foreign exchange rates.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables), including deposits with banks and financial institutions and other financial instruments.

The Group is not exposed to concentration of credit risk. The Group does not have any customer that accounts for more than 10% of its total revenue. It is the Group's policy to require all customers, who wish to trade on credit terms, to comply with and undergo the credit verification process. This process emphasizes on the customer's capacity and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate and duly accredited parties. The maximum credit exposure of the Group's financial assets is equal to their carrying values as of December 31, 2019 and 2018. These financial assets are not supported by any collateral from the counterparties, except for notes receivable which are secured by certain motor vehicles owned by the borrowers.

An impairment analysis is performed using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Based on historical experience, the Group's trade receivables are fully collected and no history of write-offs.

Credit risk from balances with banks and financial institutions is managed by the Group's Finance department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Counterparty credit limits are reviewed by the Group's Credit Committee on an annual basis, and may be updated throughout the year subject to the approval of the Group's Vice President for Finance. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The tables below show the credit quality of current accounts and an aging analysis of past due accounts as of December 31, 2019 and 2018.

December 31, 2019

	Current			Past Due				
	High Grade	Standard Grade	Substandard Grade	Over 30 days	Over 60 days	Over 90 days	Impaired Receivables	Total
Cash in banks and cash equivalents	₱751,514,762	₱–	₱–	₱–	₱–	₱–	₱–	₱751,514,762
Short-term investments	422,374,656	–	–	–	–	–	–	422,374,656
Trade receivables:								
Private	134,116,970	296,308,354	5,124,972	345,156	–	–	8,664,637	444,560,089
Government	363,964	4,655,871	–	532,176	–	–	27,645	5,579,656
Related party	418,962	–	–	–	–	–	–	418,962
Notes receivable	6,409,204	–	–	–	–	–	–	6,409,204
Interest and other receivables	7,045,800	–	–	–	–	–	–	7,045,800
Security and rental deposits*	4,692,322	–	–	–	–	–	–	4,692,322
	₱1,326,936,640	₱300,964,225	₱5,124,972	₱877,332	₱–	₱–	₱8,692,282	₱1,642,595,451

**Excluding nonfinancial deposits amounting to ₱11,583,463.*

December 31, 2018

	Current			Past Due			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 days	Over 60 days	Over 90 days	Receivables	Total
Cash in banks and cash equivalents	₱232,395,852	₱–	₱–	₱–	₱–	₱–	₱–	₱232,395,852
Short term investments	594,904,383	–	–	–	–	–	–	594,904,383
Trade receivables:								
Private	180,734,022	324,143,543	6,472,982	36,918,686	–	–	8,664,637	556,933,870
Government	–	3,901,339	–	26,573	–	–	27,645	3,955,557
Related party	130,462	–	–	–	–	–	–	130,462
Notes receivable	8,895,628	–	–	–	–	–	–	8,895,628
Interest and other receivables	7,403,031	–	–	–	–	–	–	7,403,031
Security and rental deposits*	6,256,632	–	–	–	–	–	–	6,256,632
	₱1,030,720,010	₱328,044,882	₱6,472,982	₱36,945,259	₱–	₱–	₱8,692,282	₱1,410,875,415

**Excluding nonfinancial deposits amounting to ₱9,211,903.*

High grade receivables consist of receivables from customers and other parties with good credit standing and with a history of no delay in payments. Standard grade receivables are those from customers with history of slight delay in payments. Substandard grade receivables, on the other hand, are receivables from customers with a history of recurring delayed payments. The Group constantly monitors the receivables in order to identify any potential adverse changes in the credit quality. Short-term placements and cash in banks are maintained in banks duly approved by the BOD. Credit impaired receivables pertaining to individually impaired receivables are fully provided with allowance for doubtful accounts.

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with financial instruments. Such risk may result from inadequate market depth, disruption or refinancing problems.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and purchase contracts. The Group also has existing credit lines with local banks which could be drawn when necessary.

The tables below summarize the maturity profile of the Group's financial liabilities and financial assets used to manage liquidity as of December 31, 2019 and 2018:

December 31, 2019

	On-demand	Up to a year	1-3 years	More than 3 years	Total
Financial liabilities:					
Trade and other payables*	**₱–**	**₱133,812,002**	**₱–**	**₱–**	**₱133,812,002**
Customers' deposits	**22,567,524**	**–**	**–**	**–**	**22,567,524**
Lease liabilities	**–**	**6,946,449**	**10,805,014**	**21,070,528**	**38,821,991**
	22,567,524	**140,758,451**	**10,805,014**	**21,070,528**	**195,201,517**
Financial assets:					
Cash on hand and in banks	**100,488,841**	**–**	**–**	**–**	**100,488,841**
Cash equivalents**	**–**	**656,745,211**	**–**	**–**	**656,745,211**
Short-term investments**	**–**	**426,124,277**	**–**	**–**	**426,124,277**
Trade receivables				**–**	
Private	**–**	**435,895,452**	**–**	**–**	**435,895,452**
Government	**–**	**5,552,011**	**–**	**–**	**5,552,011**
Related party	**–**	**418,962**	**–**	**–**	**418,962**
	100,488,841	**1,524,735,913**	**–**	**–**	**1,625,224,754**
Excess of financial assets over financial liabilities	**₱77,921,317**	**₱1,383,977,462**	**(₱10,805,014)**	**(₱21,070,528)**	**₱1,430,023,237**

**Excluding nonfinancial liabilities amounting to ₱5,760,014.*
***Including interest until maturity*

December 31, 2018

	On-demand	Up to a year	1-3 years	More than 3 years	Total
Financial liabilities:					
Trade and other payables*	₱–	₱201,754,470	₱–	₱–	₱201,754,470
Customers' deposits	22,257,524	–	–	–	22,257,524
	22,257,524	201,754,470	–	–	224,011,994
Financial assets:					
Cash on hand and in banks	126,411,442	–	–	–	126,411,442
Cash equivalents**	–	108,266,014	–	–	108,266,014
Short-term investments**	–	603,997,584	–	–	603,997,584
Trade receivables				–	
Private	–	548,269,233			548,269,233
Government	–	3,927,912			3,927,912
Related party	–	130,462	–	–	130,462
	126,411,442	1,264,591,205	–	–	1,391,002,647
Excess of financial assets over financial liabilities	₱104,153,918	₱1,062,836,735	₱–	₱–	₱1,166,990,653

**Excluding nonfinancial liabilities amounting to ₱3,100,854.*
***Including interest until maturity*

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to externally imposed capital requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2019 and 2018. The Group was able to meet its capital management objectives as of December 31, 2019 and 2018.

For the purpose of capital management, the Group's capital consists of:

	2019	2018
Common stock	**₱661,309,398**	₱661,309,398
Additional paid-in capital	**176,594,308**	176,594,308
Retained earnings:		
Appropriated	**700,000,000**	700,000,000
Unappropriated	**626,830,220**	309,689,586
	₱2,164,733,926	₱1,847,593,292

21. Fair Value

Fair Value

Due to the short-term nature of the transactions, the carrying value of cash in banks and cash equivalents, short-term investments, trade and other receivables, customers' deposits, and trade and other payables approximate their fair values.

The following table sets forth the carrying values and estimated fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

2019					
	Carrying Value	**Fair Value**	**Quoted prices in active market (Level 1)**	**Significant Observable inputs (Level 2)**	**Significant Unobservable inputs (Level 3)**
Measured at fair value					
Equity instruments designated at FVOCI					
Quoted	**₱999,915**	**₱999,915**	**₱–**	**₱999,915**	**₱–**
Unquoted	**25,763,502**	**25,763,502**	**–**	**–**	**25,763,502**
Land at appraised value	**499,736,000**	**499,736,000**	**–**	**–**	**499,736,000**
Assets for which fair values are disclosed					
Debt instruments at amortized cost					
Security and rental deposits*	**4,692,322**	**4,182,614**	**–**	**4,182,614**	**–**
Notes receivable	**6,409,204**	**6,436,481**	**–**	**6,436,481**	**–**
	₱537,600,943	**₱537,118,512**	**₱–**	**₱11,619,010**	**₱525,499,502**

**Excluding nonfinancial deposits amounting to ₱11,583,463 as of December 31, 2019.*

2018					
	Carrying Value	Fair Value	Quoted prices in active market (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Measured at fair value					
Equity instruments designated at FVOCI					
Quoted	₱999,915	₱999,915	₱–	₱999,915	₱–
Unquoted	28,704,365	28,704,365	–	–	28,704,365
Land at appraised value	494,670,000	494,670,000	–	–	494,670,000
Assets for which fair values are disclosed					
Debt instruments at amortized cost					
Security and rental deposits*	6,256,632	4,626,055	–	4,626,055	–
Notes receivable	8,895,628	8,506,451	–	8,506,451	–
	₱539,526,540	₱537,506,786	₱–	₱14,132,421	₱523,374,365

**Excluding nonfinancial deposits amounting to ₱9,211,903 as of December 31, 2018.*

Reconciliation of fair value measurements categorized within Level 3 is disclosed in Notes 9 and 10.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Security, rental deposits and notes receivable
The fair value of security and rental deposits have been calculated as the sum of all future cash flows, discounted using prevailing market rate of interest for instruments with similar maturities (Level 3).

Quoted financial assets
The fair values of publicly traded instruments and similar investments are based on quoted bid prices (Level 1). For investments in golf shares, fair value is based on any prices within the lower selling quotes and higher buyer quotes as of balance sheet dates (Level 2).

Unquoted financial assets
The fair value of the investment in unquoted equity instruments as of December 31, 2019 and 2018 was based on adjusted net asset value approach (Level 3). The Company believes that the net asset value represents the fair value as of balance sheet date. The unobservable inputs used in the valuation pertain to the fair values of identifiable assets and liabilities of the investee company and discount for lack of marketability. The decrease (increase) in fair value of unquoted financial assets assuming an increase (decrease) in discount for lack of marketability of +10% (-10%) amounted to ₱2,407,900 and (₱2,407,900), respectively, as of December 31, 2019 while ₱2,870,436 and (₱2,870,436), respectively, as of December 31, 2018.

Land of a subsidiary at appraised value
The fair value of the land is determined by external, independent property appraisers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being appraised. The appraised value as of December 31, 2019 and 2018 was determined using the Market Approach wherein the market prices for comparable property listings are adjusted to account for the marketability, nature, bargaining allowance, location and size of the specific properties (Level 3). Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value. The valuation considers an industrial land development as the highest and best use of the properties.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting date. There were no transfers between Level 1 and Level 2 in 2019, 2018 and 2017.

22. **Leases**

The Company has various noncancellable operating lease agreements covering its office spaces, parking slots, warehouse, storage tanks, piping system, pumps, and bulk storage and handling facilities with remaining lease terms ranging from 1 year to 9 years. These leases are renewable upon mutual agreement of the parties and subject to escalation at a rate of 2.5% to 6.5% annually.

Set out below, are the amounts recognized in the statement of income.

	2019	2018	2017
Depreciation expense of right-of-use assets	**₱7,117,842**	₱–	₱–
Interest expense on lease liabilities	**2,246,545**	–	–
Included under "Operating expenses"			
Rent expense - short-term leases	**15,067,088**	–	–
Rent expense - PAS 17	**–**	14,986,217	12,255,140
	₱24,431,475	₱14,986,217	₱12,255,140

Total cash outflow for leases amounted to ₱23.51 million in 2019.

The covering agreements of these leases require the Company to pay certain amounts of security and rental deposits, which are included under "Other noncurrent assets" in the consolidated balance sheets. The related security deposits amounted to ₱16.28 million and ₱15.47 million as of December 31, 2019 and 2018, respectively (see Note 11).

Set out below, is the rollforward analysis of lease liabilities during the year ended December 31, 2019:

As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (Note 2)	34,426,705
At January 1, 2019, as restated	34,426,705
Non-cash changes:	
Additions	1,749,967
Interest expense	2,246,545
Payments:	
Principal portion	(6,200,181)
Interest	(2,246,545)
	29,976,491
Less current portion	4,818,231
Noncurrent portion	₱25,158,260

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019:

Within one year	₱6,946,449
More than 1 years to 2 years	6,435,482
More than 2 years to 3 years	4,369,532
More than 3 years to 4 years	4,488,513
More than 5 years	16,582,015

23. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with a least a majority of the independent directors voting to approve the material related party transactions. In the event that the majority of the independent directors' vote is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. Material related party transactions refer to any related party transaction, either individually or in the aggregate over a twelve-month period with the same related party, with an amount equivalent to at least 10% of the Group's consolidated assets.

Outstanding balances and transactions with related parties are as follows:

Related parties	Nature	Year	Volume	Outstanding Balance	Terms and Conditions
Stockholders					
Mitsubishi Corporation	Purchases	**2019**	**₱117,364,107**	**₱–**	Unsecured,
		2018	372,978,070	–	payable 30 days from date
		2017	771,152,033	–	of bill of lading; to be
Tosoh Corporation	Purchases	**2019**	**431,818,346**	**–**	settled in cash
		2018	424,715,076	–	
		2017	–	–	

(Forward)

Related parties	Nature	Year	Volume	Outstanding Balance	Terms and Conditions
Retirement fund	Investment in MPI	**2019**	**₱–**	**₱7,750,000**	Guaranteed dividends
Mabuhay Vinyl Corporation -		2018	–	7,750,000	equivalent to T-Bill Rate
Retirement Fund		2017	–	7,750,000	plus 300 basis points subject to declaration by the MPI's BOD
Entity under common control					
Philippine Resins Industries, Inc.	Sales	**2019**	**4,022,709**	**418,962**	Unsecured; 30 days; non-
		2018	2,566,390	130,462	interest-bearing
		2017	2,671,239	439,726	

a. Mitsubishi Corporation
The Company purchases inventories from Mitsubishi based on agreed commercial terms and conditions.

b. Tosoh Corporation
The Company purchases inventories from Tosoh based on agreed commercial terms and conditions.

c. MVC Properties, Inc.
The Company has a 10-year lease agreement with MPI (see Note 22). The Company also granted noninterest-bearing advances to MPI amounting to ₱2.05 million in 2019 and ₱1.57 million in 2018 to finance MPI's working capital requirements. These advances were partially offset against the rental due to MPI amounting to ₱2.64 million in 2019 and 2018. Outstanding balances from these transactions amounted to ₱2.75 million and ₱2.03 million liability as of December 31, 2019 and 2018, respectively. These intercompany transactions were eliminated upon consolidation.

d. Mabuhay Vinyl Corporation - Retirement Fund
As of December 31, 2019 and 2018, the Company's defined benefit retirement fund has investments in the shares of stock of MPI with a cost of ₱7.75 million. No gain was recognized by the fund in relation to the investment. The Company's retirement fund is being managed by a trustee bank. All of the fund's investing decisions are made by the trustee bank. The power to exercise the voting rights rests with the representative from the trustee bank.

On December 18, 2009, the Company and Mabuhay Vinyl Corporation - Retirement Fund (MVC-RF) executed a Shareholder's Agreement (the Agreement) with respect to their investment in MPI. Among others, the Agreement provides for the following:

i. MPI's authorized capital stock comprises (a) 5,140,000 Common A shares with par value of ₱30.00 and (b) 7,800,000 Common B shares with ₱1.00 par value. The Company will own shares not exceeding 40% of the outstanding capital stock of MPI and MVC-RF will own at least 60%.

ii. The Common A and Common B shares have full voting rights and shall enjoy the same rights and privileges, except as follows:

- Each common B shares earns a fixed annual dividend (Guaranteed Preferred Dividend or GPD) which, upon declaration of MPI's BOD, is payable within 60 days from the close of the calendar year. The annual GPD is computed using PDST-R2 one year Treasury Bill rate plus 300 basis points upon payment by MVC-RF of its subscription. Accumulated GPD amounted to ₱1,659,664 and ₱900,783 as of December 31, 2019 and 2018, respectively.
- Undeclared/unpaid GPD shall, in addition to and on top of the GPD, earn a bonus dividend.
- The GPD shall be guaranteed and cumulative.

- The Common B shares, other than the GPD and other payments related thereto, shall not participate in net earnings of MPI.
- In the event that MPI is liquidated or dissolved, MVC-RF, as holder of the Common B shares, shall be entitled to be paid in full the accrued and unpaid GPD, plus the par value of such Common B shares; provided that, whatever is left as residual assets of MPI shall be used to pay the value of the Common A shares.

iii. The right of MVC-RF, as holder of Common B shares, to petition for the redemption of the shares is recognized and guaranteed.

iv. The Company shall designate or appoint the personnel who will be responsible for the day-to-day operations of MPI.

v. The Common B shares are redeemable at the option of MPI (the issuer).

e. Philippine Resins Industries, Inc. (PRII)
The Company sells finished goods to PRII, a fellow subsidiary of Tosoh Corporation, based on agreed commercial terms and conditions.

On February 7, 2020, the Company entered into a loan agreement with PRII amounting to ₱240 million for a period of six months, which may be extended upon mutual agreement of both parties. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

f. The compensation of key management personnel follows:

	2019	2018	2017
Short-term employee benefits	**₱9,758,814**	₱9,394,796	₱9,175,752
Retirement benefits (Note 18)	**348,901**	482,076	653,752
	₱10,107,715	₱9,876,872	₱9,829,504

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

24. Basic/Diluted Earnings Per Share

	2019	2018	2017
Net income attributable to the equity holders of the Company (a)	**₱363,432,293**	₱395,743,373	₱126,337,507
Weighted average number of shares outstanding (Note 13) (b)	**661,309,398**	661,309,398	661,309,398
Basic/Diluted earnings per share (a/b)	**₱0.550**	₱0.598	₱0.191

25. Commitments, Provisions and Contingencies

a. Unused Credit Lines

As of December 31, 2019, and 2018, the Group has unused credit lines amounting to ₱920.53 million and ₱925.27 million, respectively.

b. Provisions

Provision for contingencies pertains to provisions made for various assessments, claims and litigations involving the Group in the ordinary course of business. The timing and amount of the cash outflows were uncertain then as they depended upon the outcome of the Group's negotiations and/or legal proceedings which were ongoing with the parties involved as of December 31, 2017. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiating strategy. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

Movements of provision for contingencies for the year ended December 31, 2018 follow:

Balances at beginning of year	₱20,000,000
Settlement	(18,231,429)
Reversal (Note 17)	(1,768,571)
Balances at end of year	₱–

c. Contingencies

The Group, in the normal course of business, is subject to periodic examinations by tax authorities and is involved in various labor and other legal cases either as the defendant or plaintiff. The Group, together with its counsels, believes that the outcome of these cases will not have a material effect on the consolidated financial statements.

26. **Summarized Financial Information of MPI**

The summarized significant financial information of MPI as at and for the years ended December 31 follow:

	2019	2018	2017
Total current assets	**₱39,022,228**	₱37,086,391	₱35,493,813
Total noncurrent assets	**153,945,450**	153,945,450	153,945,450
Total current liabilities	**3,537,343**	142,825	45,669
Total equity	**189,430,335**	190,889,016	189,393,594
Total equity attributable to noncontrolling interest	**9,642,836**	8,883,956	8,417,367
Rental income	**2,643,096**	2,643,096	2,643,096
Net income (loss) /total comprehensive income (loss)	**(1,458,681)**	1,495,422	507,620
Net income/total comprehensive income attributable to noncontrolling interest	**758,880**	466,589	434,194
Cash dividends declared and paid	–	–	(2,993,522)
Net cash flows from (used in) operating activities	**1,817,027**	1,389,282	(32,588,679)
Net cash flows from (used in) investing activities	**35,734,820**	(33,454,118)	484,394
Net cash flows used in financing activities	**(2,049,647)**	(1,572,897)	(3,824,939)

There are no significant restrictions on the ability of MPI to transfer funds to the Company in the form of dividends, payment of advances, among others.

27. Segment Information

The Group is engaged in manufacturing and distributing basic and intermediate chemicals and considers such as its primary activity and only operating segment. Management monitors the operating results (net sales and net income) of the Group for the purpose of making decisions about resource allocation and performance assessment.

Net sales, net income, total assets and total liabilities as of and for the years ended December 31, 2019, 2018, and 2017 are the same as reported elsewhere in the financial statements.

Segment information for this reportable business segment is shown in the following table (amounts in millions):

	2019	2018	2017
Revenue from contracts with customers	**₱2,323**	₱2,853	₱–
Sale of goods	–	–	2,173
Net income	**364**	396	127
Total assets	**2,872**	2,599	1,932
Total liabilities	**365**	403	279
Interest income	**42**	16	5
Income taxes	**160**	174	58
Depreciation and amortization	**80**	105	115
Capital expenditures	**108**	68	108

28. Notes to Consolidated Statements of Cash Flows

The non-cash investing and financing activities follow:

	2019	2018	2017
Investing activities:			
Changes in fair value of equity instruments designated at FVOCI	**(₱2,940,863)**	₱2,433,541	₱–
Transition adjustment on right-of-use assets	**34,211,965**		
Addition to right-of-use assets	**1,749,967**	–	–
Financing activities:			
Transition adjustment on lease liabilities	**34,426,705**	–	–
Addition to lease liabilities	**1,749,967**	–	–
Accretion of lease liabilities	**2,246,545**	–	–

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Mabuhay Vinyl Corporation
3rd Floor, Philamlife Building
126 L.P. Leviste Street
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Mabuhay Vinyl Corporation and its subsidiary as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle
Partner
CPA Certificate No. 106471
SEC Accreditation No. 1618-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 220-881-929
BIR Accreditation No. 08-001998-128-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125233, January 7, 2020, Makati City

February 27, 2020

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Mabuhay Vinyl Corporation
3rd Floor, Philamlife Building
126 L.P. Leviste Street
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Mabuhay Vinyl Corporation and its subsidiary as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle
Manolito R. Elle
Partner
CPA Certificate No. 106471
SEC Accreditation No. 1618-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 220-881-929
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February 27, 2020

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2019 Audited Consolidated Financial Statements

Forms and Content Schedules

MABUHAY VINYL CORPORATION
Schedule A – Financial Assets
December 31, 2019

Investments

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Equity instruments designated at FVOCI:				
PLDT - Preferred stock - 10% cumulative, series U	350	₱4,025	₱4,025	₱–
Piltel	600	1,680	1,680	–
Atlas Consolidated Mining Corp.	79,000	394,210	394,210	–
The Orchard Golf and Country Club, Inc. (Class A)	1	300,000	300,000	–
Valley Golf and Country Club	1	300,000	300,000	–
Total quoted	79,952	**999,915**	**999,915**	–
Tosoh Polyvin Corporation	26,291	25,763,502	25,763,502	–
Total unquoted	26,291	**25,763,502**	**25,763,502**	–
	106,243	**₱26,763,417**	**₱26,763,417**	₱–
Debt instruments at amortized cost:				
Cash in banks and cash equivalents	–	₱751,514,762	₱–	₱–
Short-term investments	–	422,374,656	–	–
Trade and other receivables	–	451,472,086	–	–
Notes receivables - noncurrent	–	3,849,343	–	–
Security and rental deposits	–	4,692,322	–	–
	–	**1,633,903,167**	–	–
Total financial assets	–	**₱1,660,666,584**	₱–	₱–

MABUHAY VINYL CORPORATION
Schedule E – Indebtedness to Related Parties
December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
MVC Properties Inc.	₱2,750,456	₱2,029,312

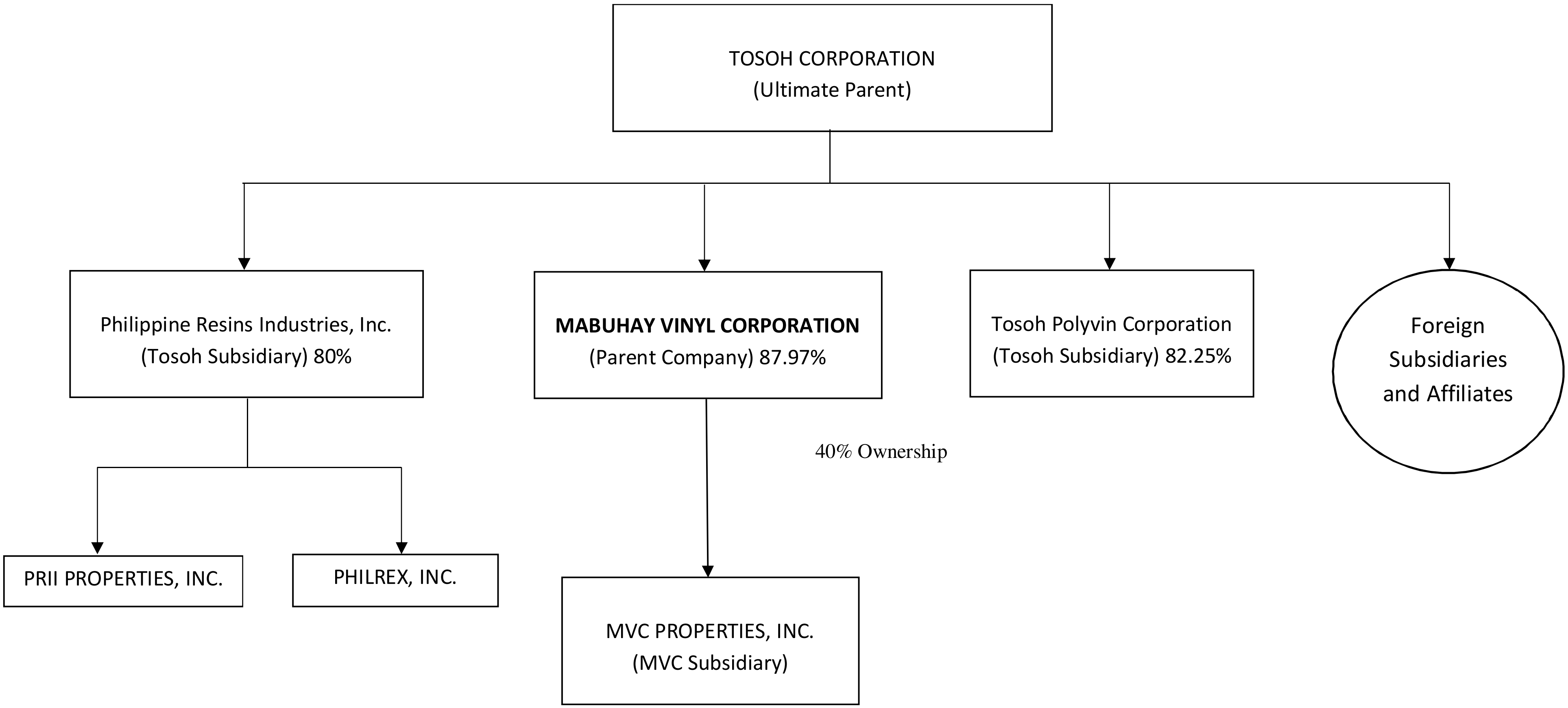
MABUHAY VINYL CORPORATION
Schedule G – Capital Stock
December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Number of Shares Held by Directors and Officers	Number of Shares Held by Others
Common	1,072,942,532	661,309,398	–	621,465,834	52,039	39,791,525

MABUHAY VINYL CORPORATION
Schedule of Retained Earnings Available for Dividend Declaration
December 31, 2019

	Amount
Unappropriated retained earnings, as previously reported	₱281,729,481
Adjustment for deferred income tax assets	(10,794,794)
Deferred income tax asset recognized in other comprehensive income	1,697,308
Unappropriated retained earnings beginning, as adjusted	272,631,995
Add: Net income actually earned/realized during the year	
Net income for the year	365,649,859
Net increase in recognized deferred income tax assets	3,524,096
Total	641,805,950
Dividends declared during the year	(46,291,659)
Total Retained Earnings Available for Dividend Declaration	₱595,514,291

TOSOH CORPORATION
Map of the conglomerate or group of companies



Foreign Subsidiaries and Affiliates

TOSOH SUBSIDIARIES:

Ace Pack Co.,Ltd. (49.32%)
Organo Corporation (41.31%)
Kasumi Engineering Inc. (100%)
Kasumi Kyodo Jigyo Co.,Ltd. (65%)
Sankyo Kasei Industry Corporation (66.67%)
Sanwa Construction Co.,Ltd. (78.44%)
Seiwa Kouki Corp. (100%)
Taihei Chemicals Limited (74.59%)
Taiyo Vinyl Corporation (68%)
Tosoh AIA,Inc. (100%)
Tosoh SGM Corporation (100%)
Tosoh Quartz Corporation(NSG Japan) (100%)
Tosoh Information Systems Corporation (100%)
Tosoh Silica Corporation (100%)
Tosoh Speciality Materials Corporation (100%)
Tosoh Zeolum,Inc. (100%)
Tosoh Ceramics Co.,Ltd (100%)
Tosoh General Service Co.,Ltd (100%)
Tosoh Techno-System,Inc. (100%)
Tosoh Nikkemi Corporation (100%)
Tosoh Hi-Tec,Inc. (100%)
Tosoh Hyuga Corporation (100%)
Tosoh Finechem Corporation (100%)
Tosoh Logistics Corporation (100%)
Tosoh Analysis and Research Center Co.,Ltd. (100%)
Tohoku Denki Tekko Co.,Ltd. (96.76%)
Tohoku Tosoh Chemical Co.,Ltd. (100%)
Toyo Polymer Co.,Ltd. d. (100%)
Plas-Tech Corporation (65.06%)
Hokuetsu Kasei Co.,Ltd. (100%)
Minami Kyushu Chemical Industries Co.,Ltd. (72.29%)
Rinkagaku Kogyo Co.,Ltd. (100%)
Rensol Co.,Ltd. (100%)
Asia Industry Co.,Ltd. (100%)
Nippon Miractran Co.,Ltd. (100%)

Tosoh Europe N.V. (100%)
Tosoh Europe B.V. (100%)
Tosoh Bioscience A.G. (98%)
Tosoh Bioscience SRL (100%)
Tosoh Bioscience, Ltd. (100%)
Tosoh Bioscience GmbH (100%)
PT. Standard Toyo Polymer (60%)
Tosoh America, Inc. (100%)
Tosoh Bioscience LLC (100%)
Tosoh Bioscience, Inc. (100%)
Tosoh Quartz, Inc. (100%)
Tosoh SMD, Inc. (100%)
Tosoh SMD Korea, Ltd. (100%)
Tosoh SMD Taiwan, Ltd. (100%)
Tosoh SMD Shanghai, Ltd. (100%)
Tosoh Specialty Chemicals USA, Inc. (100%)
Tosoh USA, Inc. (100%)
Tosoh Asia Pte., Ltd. (100%)
Tosoh Hellas A.I.C. (65%)
Tosoh Quartz Co., Ltd. (100%)
Tosoh Advanced Materals Sdn. Bhd. (100%)
Tosoh India Private Limited (100%)
Tosoh China Holdings Co.,Ltd. (100%)
Tosoh (Ruian) Polyurethane Co.,Ltd (100%)
Tosoh (Shanghai) Polyurethan Co.,Ltd (100%)
Tosoh (Shanghai) Co.,Ltd. (100%)
Tosoh Bioscience Shanghai Co.,Ltd. (100%)
Tosoh (Guangzhou) Chemical Industries, Inc. (67%)

TOSOH AFFILIATES:

Izumi Sangyo Co.,Ltd. (46.67%)
Shinomura Chemical Industry Corporation (40%)
Toho Acetylene Co.,Ltd. (24.47%)
Yorin Construction Co.,td (50%)
Yokkaichi Oxyton Co.,Ltd. (40%)
Lonseal Corporation (36.16%)
Manac Incorporated (19.14%)
Delamine B.V. (50%)

MABUHAY VINYL CORPORATION
Financial Ratios
For the years ended December 31, 2019 and 2018

Ratio	Formula		Current Year	Prior Year
a. Quick ratio	(cash and cash equiv. + A/R + short term deposits) / current liabilities		8.05	5.23
	Cash and cash equivalents	753,574,762		
	Accounts receivable	451,472,086		
	Short term deposits	422,374,656		
	Total	1,627,421,504		
	Divided by: Total Current Liabilities	202,261,856		
	Quick ratio	8.05		
b. Current ratio	current assets / current liabilities		9.33	6.30
	Total Current Assets	1,887,290,266		
	Divided by: Total Current Liabilities	202,261,856		
	Current ratio	9.33		
c. Solvency ratio	(net income + depreciation expense) / average liabilities		1.16	1.47
	Net income	364,191,173		
	Depreciation expense	79,807,083		
	Total	443,998,256		
	Divided by Average Total Liabilities*	383,974,359		
	Solvency ratio	1.16		
	*(beginning plus ending) / 2			
d. Debt to equity ratio	total liabilities/ total stockholders equity		0.15	0.18
	Total Liabilities	365,253,574		
	Divided by: Total Stockholders' Equity	2,506,931,291		
	Debt to equity ratio	0.15		
e. Net profit margin	net income / sales		0.16	0.14
	Net income	364,191,173		
	Divided by: Total Net sales	2,323,002,069		
	Net profit margin	0.16		
f. Return on equity	net income / average stockholders equity		0.15	0.20
	Net income	364,191,173		
	Divided by: Average Total Stockholders' Equity*	2,351,520,123		
	Return on equity	0.15		
	*(beginning plus ending) / 2			

Ratio	Formula		Current Year	Prior Year
g. Return on assets	net income / average assets		0.13	0.17
	Net income	364,191,173		
	Divided by: Average Total Assets	2,735,494,482		
	Return on assets	0.13		
	*(beginning plus ending) / 2			
h. Debt to total asset ratio	total liabilities / total assets		0.13	0.15
	Total Liabilities	365,253,574		
	Divided by: Total Assets	2,872,184,865		
	Debt to total asset ratio	0.13		
i. Asset to equity ratio	total assets / total stockholders equity		1.15	1.18
	Total Assets	2,872,184,865		
	Divided by: Total Stockholders' Equity	2,506,931,291		
	Asset to equity ratio	1.15		
j. Interest rate coverage ratio	earnings before interest and taxes / interest expense		234.17	0.00
	Net income	364,191,173		
	Interest Expense	2,246,545		
	Provision for Income Tax	159,639,853		
	EBIT	526,077,571		
	Divided by: Total Net sales	2,246,545		
	Interest rate coverage ratio	234.17		

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

TREASURER'S CERTIFICATION

I, **Michael S. Yu**, of legal age, Filipino and with office address at **3F Philamlife Building, 126 L.P. Leviste Street, Salcedo Village Makati City**, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Mabuhay Vinyl Corporation** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. **216** with principal office address at **3F Philamlife Building, 126 L.P. Leviste Street, Salcedo Village Makati City**.

2. The Financial Statement ("F/S") diskette submitted contains the exact data stated in the hard copies of the F/S of the Corporation.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of SEC.

WITNESS MY HAND on this 27th day of February 2020 at Makati City.

Michael S. Yu
Treasurer

MAR 0 9 2020

SUBSCRIBED AND SWORN to before me on this ____ day of ______ at MAKATI CITY, Affiant exhibited to me his Driver's License No. N04-93-278955 issued on August 24, 2019 at the City of Manila.

Doc. No.: 519
Page No.: 104
Book No.: 10
Series of 2020.

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
2086 E. Pascua St., Makati City
IBP O.R No. 097071/ December 10,2019
Roll No. 28947/ MCLE No. VI-0020246
PTR No. MKT-8117044/1-02-2020
Appointment No. M-158

Control No.:
Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: MABUHAY VINYL CORPORATION AND SUBSIDIARY
CURRENT ADDRESS: 3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY
TEL. NO.: 8817-8971 **FAX NO.:** 8816-4785
COMPANY TYPE : MANUFACTURING **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

F I N A N C I A L D A T A	2019 (in P'000)	2018 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	**2,872,185**	**2,598,804**
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	1,914,054	1,707,655
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	753,575	234,456
A.1.1.1 On hand and in Banks	100,489	126,411
A.1.1.2 Short term placements	653,086	108,045
A.1.1.3		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	451,472	562,217
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	451,472	562,217
A.1.2.1.1 Due from customers (trade)	450,559	561,020
A.1.2.1.2 Due from related parties	0	0
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	9,605	9,889
A.1.2.1.3.1 Tax Claims and Creditable Withholding Taxes		
A.1.2.1.3.2 Others	9,605	9,889
A.1.2.1.4 Allowance for doubtful accounts (**negative entry**)	(8,692)	(8,692)
A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)	-	-
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (**negative entry**)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	233,763	252,768
A.1.3.1 Raw materials and supplies	41,286	74,462
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)	6,943	3,875
A.1.3.3 Finished goods	161,096	145,635
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)	24,438	28,796
A.1.3.6.1 Materials and supplies	24,438	28,796
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)	26,763	29,704
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)		
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	-	-
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: MABUHAY VINYL CORPORATION AND SUBSIDIARY
CURRENT ADDRESS: 3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY
TEL. NO.: 8817-8971 FAX NO.:
COMPANY TYPE : MANUFACTURING PSIC:
If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)	-	-
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets / Equity Instruments designated at fair value through other comprehensive income - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	26,763	29,704
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions	400	400
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions	26,363	29,304
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3 + A.1.5.4)	448,481	628,510
A.1.5.1 Input tax - net	1,980	12,995
A.1.5.2 Creditable withholding tax	12,433	14,660
A.1.5.3 Prepaid expenses and other current assets	11,693	5,951
A.1.5.4 Short-term investments	422,375	594,904
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+A.2.8)	928,971	859,656
A.2.1 Land	499,736	494,670
A.2.2 Building and improvements including leasehold improvement	355,913	349,807
A.2.3 Machinery and equipment (on hand and in transit)	1,746,490	1,734,472
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	265,325	247,629
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	112,553	62,906
A.2.5.1 Office furniture and equipment	42,854	42,834
A.2.5.2 Construction in progress	33,737	20,072
A.2.5.3 Right-of-use asset-land	27,940	0
A.2.5.4 Right-of-use asset-building	2,261	0
A.2.5.5 Right-of-use asset-warehouse and storage tanks	5,761	0
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)	-	-
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.7 Accumulated Depreciation (**negative entry**)	(2,051,046)	(2,029,828)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	-	-
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)	-	-
A.3.3.1 Investment in stocks		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.4 Investment Property	0	0
A.5 Biological Assets		
A.6 Intangible Assets (A.6.1 + A.6.2)	-	-
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)	-	-
A.6.1.1 Software Cost	-	-
A.6.1.2		
A.6.1.3		
A.6.1.4		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)	-	-
A.6.2.1		
A.6.2.2		
A.6.2.3		
A.6.2.4		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: MABUHAY VINYL CORPORATION AND SUBSIDIARY
CURRENT ADDRESS: 3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY
TEL. NO.: 8817-8971 **FAX NO.:**
COMPANY TYPE : MANUFACTURING **PSIC:**
If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	-	-
A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)	-	-
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.1.4		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)	-	-
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.2.4		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4+A.10.5)	29,160	31,493
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax		
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	29,160	31,493
A.10.4.1 Security and rental deposits	16,276	15,468
A.10.4.2 Advances to suppliers noncurrent	9,035	7,017
A.10.4.3 Retirement benefits asset - net	0	2,599
A.10.4.4 Notes receivable - noncurrent portion	3,849	6,409
A.10.5 Allowance for write-down of deferred charges/bad accounts (**negative entry**)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	**365,254**	**402,695**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	227,420	266,323
B.1.1 Trade and Other Payables to Domestic Entities	153,849	215,027
B.1.1.1 Current portion of lease liabilities	4,818	0
B.1.1.2 Trade Payables	43,886	113,938
B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	-	-
B.1.1.3.1		
B.1.1.3.2		
B.1.1.3.3		
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3)	105,145	101,089
B.1.1.4.1 Accrued expenses	73,223	72,244
B.1.1.4.2 Customer deposits	22,568	22,258
B.1.1.4.3 Others	9,354	6,587
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)	-	-
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.2.4		
B.1.3 Provisions	0	0
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3)	-	-
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.5 Liabilities for Current Tax	35,304	39,211
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	38,267	12,085
B.1.7.1 Dividends declared and not paid at balance sheet date	13,109	12,085
B.1.7.2 Lease Liabilities - net of current portion	25,158	0
B.1.7.3 Liabilities under Trust Receipts	0	0
B.1.7.4 Portion of Long-term Debt Due within one year	0	0
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)	-	-
B.1.7.6.1 Short term loans	0	0
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

Control No.:
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GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: **MABUHAY VINYL CORPORATION AND SUBSIDIARY**

CURRENT ADDRESS: **3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY**

TEL. NO.: **8817-8971** **FAX NO.:**

COMPANY TYPE : **MANUFACTURING** **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA		2019 (in P'000)	2018 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		-	-
B.2.1 Domestic Public Financial Institutions		0	0
B.2.2 Domestic Public Non-Financial Institutions			
B.2.3 Domestic Private Financial Institutions			
B.2.4 Domestic Private Non-Financial Institutions			
B.2.5 Foreign Financial Institutions			
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)			
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale			
B.5 Other Liabilities (B.5.1 + B.5.2)		137,834	136,372
B.5.1 Deferred Income Tax		135,423	134,578
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)		2,411	1,794
B.5.2.1 Retirement benefits payable		617	0
B.5.2.2 Asset retirement obligation		1,794	1,794
B.5.2.3			
B.5.2.4			
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)		**2,506,931**	**2,196,109**
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		661,309	661,309
C.1.1 Common shares	**688,309,398 shares, P1 par value**	661,309	661,309
C.1.2 Preferred Shares			
C.1.3 Others			
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		-	-
C.2.1 Common shares			
C.2.2 Preferred Shares			
C.2.3 Others			
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		0	0
C.3.1 Common shares			
C.3.2 Preferred Shares			
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		176,594	176,594
C.5 Minority Interest		9,643	8,884
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)		(7,806)	2,817
C.6.1 Reserve for fluctuations in available-for-sale financial assets		(5,031)	(2,090)
C.6.2 Remeasurement gains (losses) on retirement benefits - net of deferred income tax effect		(2,775)	4,907
C.6.3			
C.6.4			
C.6.5			
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		340,361	336,815
C.8 Retained Earnings (C.8.1 + C.8.2)		1,326,830	1,009,690
C.8.1 Appropriated		700,000	700,000
C.8.2 Unappropriated		626,830	309,690
C.9 Head / Home Office Account (for Foreign Branches only)			
C.10 Cost of Stocks Held in Treasury (**negative entry**)		0	0
D. TOTAL LIABILITIES AND EQUITY (B + C)		**2,872,185**	**2,598,804**

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GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: **MABUHAY VINYL CORPORATION AND SUBSIDIARY**
CURRENT ADDRESS: **3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY**
TEL. NO.: **8817-8971** **FAX NO.:**
COMPANY TYPE : **MANUFACTURING** **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	**2,373,156**	**2,870,322**
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)	2,323,002	2,853,491
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method		
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	8,075	2,954
A.3.1 Rental Income from Land and Buildings		
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)	8,075	2,954
A.3.5.1 Other Income	8,075	2,954
A.3.5.2 Logistics and other services	0	0
A.3.5.3		
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	42,079	13,877
A.4.1 Interest Income	41,696	15,594
A.4.2 Dividend Income		
A.4.3 Gain / (**Loss**) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)	315	624
A.4.3.1 Gain (Loss) on sale of equipment	315	435
A.4.3.2 Unrealized interest income on notes receivables	0	189
A.4.3.3		
A.4.3.4		
A.4.4 Gain / (**Loss**) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	68	(2,341)
A.4.4.1 Foreign exchange gain (loss) - net	68	(2,341)
A.4.4.2		
A.4.4.3		
A.4.4.4		
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	**1,370,684**	**1,861,242**
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	1,385,492	1,821,475
B.1.1 Direct Material Used	1,123,535	1,547,813
B.1.2 Direct Labor	36,353	35,813
B.1.3 Other Manufacturing Cost / Overhead	228,672	234,569
Goods in Process, Beginning	3,875	7,155
B.1.5 Goods in Process, End (**negative entry**)	(6,943)	(3,875)
B.2 Finished Goods, Beginning	146,288	186,055
B.3 Finished Goods, End (**negative entry**)	(161,096)	(146,288)
C. COST OF SALES (C.1 + C.2 + C.3)	**-**	**0**
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (**negative entry**)		
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)	**-**	**-**
D.1		
D.2		
D.3		
D.4		
D.5		
D.6		

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GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: MABUHAY VINYL CORPORATION AND SUBSIDIARY
CURRENT ADDRESS: 3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY
TEL. NO.: 8817-8971 FAX NO.:
COMPANY TYPE : MANUFACTURING PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)	**-**	**-**
E.1 Cost of sales - Property	0	0
E.2		
E.3		
E.4		
E.5		
E.6		
F. GROSS PROFIT (A - B - C - D - E)	**1,002,472**	**1,009,080**
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	**478,641**	**438,586**
G.1 Selling or Marketing Expenses		
G.2 Administrative Expenses		
G.3 General Expenses	476,394	438,325
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	2,247	261
G.4.1 Interest and other financing charges	2,247	261
G.4.2 Impairment loss on investment property	-	0
G.4.3		
G.4.4		
G.4.5		
G.4.6		
H. FINANCE COSTS		
I. NET INCOME (LOSS) BEFORE TAX (F - G - H)	**523,831**	**570,494**
J. INCOME TAX EXPENSE (negative entry)	**(159,640)**	**(174,283)**
K. INCOME AFTER TAX	**364,191**	**396,211**
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)		
L.1 **Net changes in fairvalue of AFS**		
L.2 **Increase in revaluation increment**		
M. Profit or Loss Attributable to Minority Interest	**759**	**467**
N. Profit or Loss Attributable to Equity Holders of the Parent	**363,432**	**395,744**

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GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: MABUHAY VINYL CORPORATION AND SUBSIDIARY
CURRENT ADDRESS: 3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY
TEL. NO.: 8817-8971 **FAX NO.:**
COMPANY TYPE : MANUFACTURING **PSIC:**
If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) Before Tax and Extraordinary Items	523,831	570,494
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	79,807	105,253
Others, specify: Interest income	(41,696)	(15,594)
Retirement benefit cost	(7,760)	(7,949)
Unrealized interest income on notes receivables	(249)	(189)
Interest expense	2,247	0
Unrealized foreign exchange loss	222	228
Gain on sale of property and equipment	(315)	(435)
Dividend income	0	0
Loss on sale of Property, Plant, and Equipment		
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Receivables	118,924	(50,758)
Inventories	19,004	17,214
Other Current Assets	9,727	47,572
Others, specify: Other noncurrent assets	(4,428)	(4,221)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(64,490)	38,721
Trust receipts payable	0	0
Others, specify: Customer deposits	310	1,152
Asset retirement obligation	0	0
Cash generated from operations		
Income Taxes paid, including creditable withholding taxes	(163,156)	(154,820)
Interest Paid		0
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	471,978	546,668
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Short-term investments	172,530	(594,904)
(Increase) Decrease in Advances to suppliers	-	(7,017)
Reductions/(Additions) to Property, Plant, and Equipment	(108,428)	(68,142)
Others, specify: Proceeds from sale of equipment	650	435
Decrease in investment property	0	0
Dividends Received	0	0
Interest received	33,590	8,910
Increase in notes receivables - net	2,736	2
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	101,078	(660,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Loans		
Long-term Debt		
Issuance of Securities		
Others, specify: Short term loans	0	0
Payments of:		
(Loans)		
(Long-term Debt)	0	-
(Notes Payable)	0	0
Others, specify (**negative entry**):		
Principal portion of lease liabilities	(6,200)	0
Interest paid	(2,247)	0
Dividends paid	(45,268)	(45,291)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	(53,715)	(45,291)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(222)	(228)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C+ D)	519,119	(159,567)
Cash and Cash Equivalents		
Beginning of year	234,456	394,023
End of year	753,575	234,456

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GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: MABUHAY VINYL CORPORATION AND SUBSIDIARY
CURRENT ADDRESS: 3F PHILAMLIFE CENTER 126 LP LEVISTE ST SALCEDO VILLAGE MAKATI CITY
TEL. NO.: 8817-8971 FAX NO.:
COMPANY TYPE : MANUFACTURING PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

	(Amount in P'000)								
F I N A N C I A L D A T A	**Capital Stock**	**Additional Paid-in Capital**	**Revaluation Increment**	**Remeasurement PAS 19R**	**Reserve for fluctuation of AFS**	**Appropriated Retained Earnings**	**Unappropriated Retained Earnings**	**Noncontrolling interest**	**TOTAL**
A. Balance, *1-Jan-18*	**661,309**	**176,594**	**171,959**	**947**	**(79)**	**0**	**634,524**	**8,417**	**1,653,671**
A.1 Correction of Error(s)									0
A.2 Changes in Accounting Policy					(4,444)		25,714		21,270
B. Restated Balance	**661,309**	**176,594**	**171,959**	**947**	**(4,523)**	**0**	**660,238**	**8,417**	**1,674,941**
C. Surplus									
C.1 Surplus (Deficit) on Revaluation of Properties									0
C.2 Surplus (Deficit) on Revaluation of Investments									
C.3 Currency Translation									
C.4 Other Surplus (specify)									
C.4.1 Net unrealized gain on AFS financila assets									0
C.4.2 Treasury shares									0
C.4.3 Other comprehensive			164,856	3,960	2,433				171,249
C.4.4									
C.4.5									
D. Net Income (Loss) for the Period							395,743	467	**396,210**
E. Dividends (negative entry)							(46,291)		**(46,291)**
F. Appropriation for (specify)						700,000	(700,000)		**0**
F.1 Capital Expenditures									
F.2									
F.3									
F.4									
8									
G. Issuance of Capital Stock									
G.1 Common Stock									
G.2 Preferred Stock									
G.3 Redemption of preferred stock									**0**
H. Balance, *31-Dec-18*	**661,309**	**176,594**	**336,815**	**4,907**	**(2,090)**	**700,000**	**309,690**	**8,884**	**2,196,109**
H.1 Correction of Error (s)									
H.2 Changes in Accounting Policy									**0**
I. Restated Balance	**661,309**	**176,594**	**336,815**	**4,907**	**(2,090)**	**700,000**	**309,690**	**8,884**	**2,196,109**
J. Surplus									
J.1 Surplus (Deficit) on Revaluation of Properties									0
J.2 Surplus (Deficit) on Revaluation of Investments									
J.3 Currency Translation									
J.4 Other Surplus (specify)									
J.4.1 Net unrealized gain									
on AFS financila assets									**0**
J.4.2 Retirement of TS									**0**
J.4.3 Other comprehensive			3,546	(7,682)	(2,941)				(7,077)
J.4.4									
K. Net Income (Loss) for the Period							363,432	759	**364,191**
L. Dividends (negative entry)							(46,292)		**(46,292)**
M. Appropriation for (specify)									
M.1 Capital Expenditures									**0**
M.2									
M.3									
M.4									
M.5									
N. Issuance of Capital Stock									
N.1 Common Stock									
N.2 Preferred Stock									
N.3 Others									
O. Balance, *31-Dec-19*	**661,309**	**176,594**	**340,361**	**(2,775)**	**(5,031)**	**700,000**	**626,830**	**9,643**	**2,506,931**