ANNUAL REPORT 2023

MABUHAY VINYL CORPORATION

1965

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Our Vision

A dominant chemical and related services company for enhancing life and preserving the environment. A dynamic and profitable company focused on value leadership, reliable service and premium customer satisfaction.

Our Mission

We shall be the supplier of choice in our markets by being responsive to the needs of our customers and providing them the best value for money.

We shall maintain an organization that relentlessly pursues market opportunities; driven by a shared passion for success; enabled by an empowering environment for pursuing business goals, innovation, personal fulfilment and professional growth; and supported by a culture that recognizes the value-added contribution of its employees.

We shall comply with quality requirements, continually improve our Quality Management System, practice Responsible Care in the way we conduct business, and contribute to the development of the communities where we operate to enhance the quality of life.

We are committed to continually undertake measures to enhance the value of the company to its shareholders.

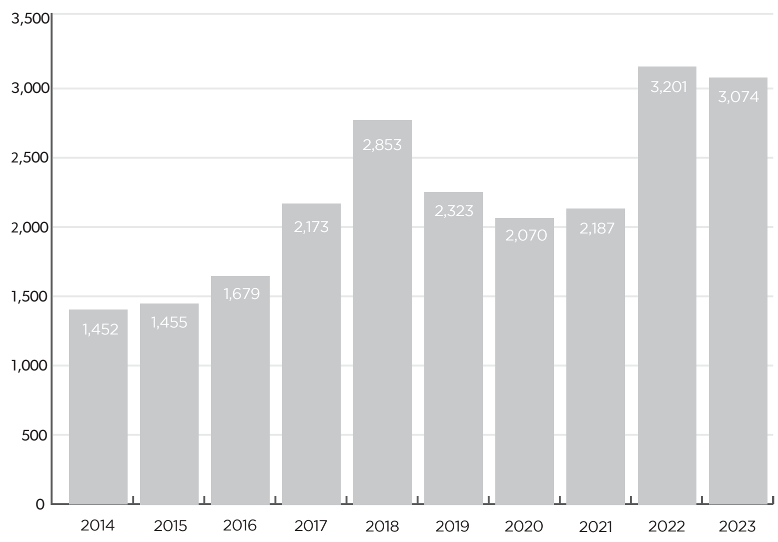
Corporate Values

God-centeredness • Integrity • Entrepreneurial Spirit • Customer Focus • Innovation • Teamwork • Excellence • Social Responsibility

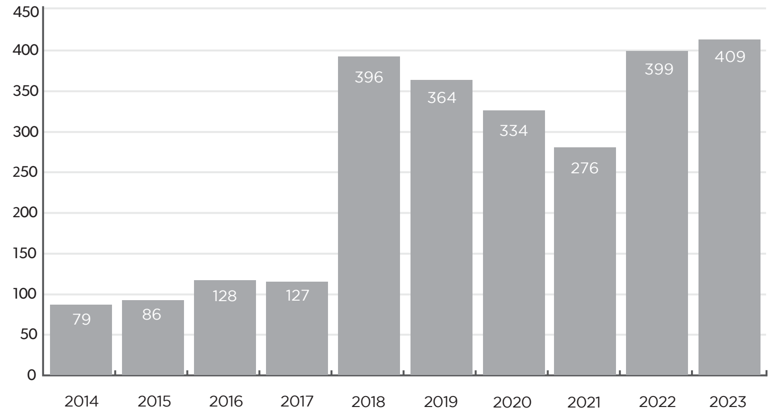
FINANCIAL HIGHLIGHTS

	2023	2022	% change
For the Year (in P'000)			
Net Sales	3,073,772	3,201,054	-4%
Gross Profit	1,207,762	1,187,915	2%
Net Income after Tax	409,078	399,428	2%
As of December 31 (in P'000)			
Current Assets	2,476,864	2,487,634	-0.4%
Current Liabilities	358,059	388,004	-8%
Total Equity	3,730,295	3,387,219	10%
For the Year			
Earnings per share	0.618	0.603	2%
Book Value per share	5.628	5.109	10%
As of December 31 (in P'000)			
Current Ratio	6.92	6.41	8%
Debt to equity ratio	0.16	0.17	-4%

REVENUES (in PHP Millions)



NET INCOME (in PHP Millions)



MESSAGE TO SHAREHOLDERS

Delivering on a promise to serve the customer by expanding and modernizing production facilities in a sustainable manner along with substantial reduction in carbon dioxide emissions.

We are pleased to present to you Mabuhay Vinyl Corporation's Annual Report for the year 2023 where your company was able to attain record breaking operating results as well as achieve its strategic objectives.

Compared to 2022 when the Philippines was still breaking free from the Covid-19 pandemic, the country started 2023 at an energetic pace and demand for chlor-alkali chemicals was stable except for the semiconductor and and electronics industry which was struggling with oversupply and poor demand.

As a result, both sales volumes and gross profit improved despite the presence of a new competitor and lower price of imported caustic soda in the international market.

As a commitment to our customers, Mabuhay has substantially completed its chlor-alkali expansion and modernization project in Iligan Plant by the end of 2023. The project has increased production capacity by 68%, reduced power consumption through the use of the latest electrolyzers, and considerably lowered carbon dioxide emissions with the country's first plate-type caustic soda evaporator.

Corporate Performance

MVC reached another milestone in 2023 by posting its highest profit since inception at P409.1 Million or P9.65 Million higher than the previous best attained in 2022.

MVC posted revenues of P3.074 Billion in 2023 or P127.3 Million lower than in 2022. Sales revenues were relatively stable even as prices of liquid caustic soda declined by 20% in the international market due to higher volumes and proactive revenue management. Grossprofit increased by P19.8 Million due to timely replenishment of traded commodities which was sufficient to offset lower sales and higher production cost.

Operating expenses increased by P60.7 Million or 9% due to higher depreciation, taxes, supplies and retirement benefits. Fortunately, these were mitigated by higher other income coming from interest from money market placements and sales of excess power.

While we are heartened by the company's robust performance, it belies the numerous challenges the company has and will face in the years to come:

a. A new competitor was countered with some progress through a whole-of-MVC approach. Nevertheless, low-priced imports of liquid chlorine continue to be a problem.
b. Lease rates at several depots have risen significantly.
c. Power supply issues are expected in the future.

Caustic Soda Market in 2023

The prevailing situation for liquid caustic soda in 2023 was that of weak demand and ample supply throughout most of the Asian region. Demand was weak in most major Asian economies except in Korea. However, even Korea turned bearish by the fourth quarter when demand for electric vehicle batteries slowed.

When 2022 ended, price of caustic soda was at $700/dmt due to the high cost of energy such as coal and natural gas. When it became clear that the Chinese economy was struggling, the price of coal fell sharply from $400/mt in December 2022 to $200/mt in Feb 2023, and further to around $140/dmt for the rest of 2023. As a result, caustic soda prices fell as well and stayed within the range of $370 - $470/dmt CFR Southeast Asia.

Chlor-alkali production is an intensive user of both electrical and heat energy. During periods of weak demand and low price, producers with the lowest energy costs have the best chance of survival. This basic premise is now more complicated with the goal of reducing carbon dioxide emissions.

Manufacturing Operations

Production output at the Iligan Plant declined by 4% compared to 2022 due to intermittent operations during the last quarter triggered by the IEM2 Expansion Project. To minimize impact on production and supply, the IEM2 Expansion Project facilities were constructed beside an existing plant that was on full 24-hour operation. The IEM2 Plant was shutdown only when the Expansion facilities were completed and ready to be interconnected and commissioned.

Production cost on a per ton basis increased by 7% due to higher cost of salt raw material and manufacturing overhead, particularly maintenance and operating supplies. Nevertheless, the plant's operating parameters were favorable with power, salt and steam registering up to 1.8% lower consumption.

Through prudent power management, the Iligan Plant was also successful in lowering power rates by 3.7% and sold excess power to the Mindanao grid thereby contributing a net income before tax of P17.1 Million.

Mabuhay's Premium Bleach Plant in Laguna once again performed well with production volumes higher by 1% compared to 2022 despite the conclusion of the pandemic period. We recall that demand surged during the pandemic since sodium hypochlorite was used as a disinfectant against the Covid-19 virus.

Environmental Responsibility

Caustic soda and chlorine-derivatives are basic chemicals that are indispensable in our modern everyday life. They are the building blocks of chemical products and processes essential in food, water, energy, metals and electronics industries. They have been proven to be the most suitable chemical in terms of cost, safety and environmental impact.

However, production of caustic and chlorine-derivatives uses a large amount of electrical energy and water.

In 2023, the company's Iligan Plant consumed 54.9 Million kWh of electrical power of which 69.4% was sourced from renewable sources. The plant also uses 9,065 million liters of fresh surface water. No water was withdrawn from ground-water sources.

Details of the company's environmental performance can be found in a Sustainability Report which is part of the 17-A Annual Report. The report conforms to the Global Reporting Initiative (GRI) Standard as required by the Securities and Exchange Commission and is also available on our website.

IEM2 Expansion Project

MVC started implementation of the IEM2 Expansion and Modernization Project last May 2022 with the goal of increasing caustic soda and chlorine production capacity at the Iligan Plant by 68% with an investment cost of P630 Million. The project was installed and commissioned in sections to minimize disruption while the Electrolyzer, responsible for increased production capacity, was put online in December 2023.

Initial performance was promising with power and steam consumption of the electrolyzer and evaporator respectively were within expectations. One section, the HCl Synthesis Unit, will be commissioned in April 2024 due to late arrival of equipment.

Outlook for the Rest of 2024

2024 could be the year the Philippine economy gets back on track as inflation and interest rates seem to have peaked. Consumer confidence remains strong, semiconductor and electronics exports are rising, and foreign investors are showing interest in expanding in the Philippines.

However, demand for caustic soda in Asia remains weak, and prices are depressed. This situation heightens the challenge of making reasonable margin from caustic soda while competing against low-priced imports of liquid chlorine.

We likewise need to sharpen our focus on operating our newly expanded/modernized IEM2 Plant in a safe, stable and efficient manner, and optimize our logistics services in the face of increasing costs. All this we do in the furtherance of our commitment to be a strong partner of choice to our customers.

We would like to take this opportunity to thank our customers, shareholders, business partners, bankers, suppliers, employees and everyone who made this year a resounding success.

Maraming salamat po. One MVC.

Yohei Chikamoto
Chairman and Chief Executive Officer

Steve S.C. Pangilinan
President and Chief Operating Officer

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, 2023 and 2022, 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 ______________________
Yohei Chikamoto
Chairman

Signature ______________________
Steve S. C. Pangilinan
President

Signature ______________________
Michael S. Yu
Treasurer

Signed this 28th day of February 2024

MAR 1 4 2024

SUBSCRIBED AND SWORN to before me this ___ day of __________ 2024; affiants exhibiting to me the following:

Yohei Chikamoto
Steve S.C. Pangilinan
Michael S. Yu

Doc No.: 305;
Page No.: 62;
Book No.: XI;
Series of 2024

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 10073909 Jan. 2, 2024 / Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Mabuhay Vinyl Corporation
22F The Salcedo Towers,
169 H.V. Dela Costa St.,
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 sheet as at December 31, 2023 and 2022, 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 periodended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all materials respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 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 thosestandards 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 p rocedures, 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 – caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite, 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. This is a key audit matter because of the significance of management's estimates in determining the physical quantities in the costing of the inventory.

The Group's disclosures about inventories are included in Notes 3 and 6 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of independent surveyor by considering their qualifications, experience and reporting responsibilities. We observed how management conducted the physical count and determined the quantities and tested the quantity conversion. On a sampling basis, we traced the key inputs to the costing of inventories to the source documents.

Valuation of Land Stated at Revalued Amount

The Group's property, plant and equipment includes parcels of land, which are stated at revalued amount, amounting P 563.00 million being the fair value as of December 31, 2023, and represent 13% 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 as a key audit matter.

The disclosures relating to the land are included in Notes 3 and 9 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the external appraiser by considering their qualification, experience and reporting responsibilities. We evaluated the methodology and assumptions used in the valuation of the land. We assessed the methodology adopted by referencing common valuation models and inspected the relevant information supporting the sales and listing of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the 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, 2023 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, 2023 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 proceduresthat 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
Tax Identification No. 220-881-929
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-128-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10079932, January 5, 2024, Makati City

February 28, 2024

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱680,073,832**	₱596,601,804
Short-term investment (Note 4)	**93,865,567**	–
Trade and other receivables (Note 5)	**727,693,170**	701,362,261
Loans receivable (Note 22)	**600,000,000**	700,000,000
Inventories (Notes 6, 14 and 22)	**220,349,797**	393,031,466
Other current assets (Note 7)	**154,881,838**	96,638,874
Total Current Assets	**2,476,864,204**	2,487,634,405
Noncurrent Assets		
Equity instruments designated at fair value through other comprehensive income (FVOCI) [Note 8]	**37,629,548**	29,792,637
Property, plant and equipment:		
At cost (Note 9)	**983,063,982**	615,038,010
Land of a subsidiary at appraised value (Notes 9 and 20)	**563,000,000**	562,978,000
Net retirement benefit assets (Note 17)	**–**	10,684,734
Other noncurrent assets (Notes 10 and 21)	**273,214,386**	249,679,329
Total Noncurrent Assets	**1,856,907,916**	1,468,172,710
TOTAL ASSETS	**₱4,333,772,120**	₱3,955,807,115
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 12)	**₱278,215,889**	₱304,165,857
Customers' deposits (Note 9)	**26,438,143**	25,821,780
Income tax payable	**19,105,044**	37,655,359
Current portion of lease liabilities (Note 21)	**12,800,223**	9,361,045
Provisions (Note 24)	**21,500,000**	11,000,000
Total Current Liabilities	**358,059,299**	388,004,041
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 21)	**116,117,916**	47,736,563
Deferred tax liabilities - net (Note 18)	**121,770,901**	131,053,947
Net retirement benefits payable (Note 17)	**5,735,216**	–
Other noncurrent liabilities	**1,793,500**	1,793,500
Total Noncurrent Liabilities	**245,417,533**	180,584,010
Total Liabilities	**603,476,832**	568,588,051
Equity		
Equity attributable to equity holders of the Company		
Capital stock (Note 12)	**₱661,309,398**	₱661,309,398
Capital paid in excess of par (Note 12)	**176,594,308**	176,594,308
Revaluation increment - net of deferred income tax effect (Notes 9 and 12)	**412,120,357**	412,103,857
Remeasurement losses on retirement benefits - net of deferred income tax effect (Notes 12 and 17)	**(11,711,104)**	(4,708,382)
Reserve for fluctuations in investments in equity instruments (Notes 8 and 12)	**4,630,063**	(3,206,848)
Retained earnings (Note 12):		
Appropriated	**1,000,000,000**	1,000,000,000
Unappropriated	**1,478,730,384**	1,136,421,715
	3,721,673,406	3,378,514,048
Noncontrolling interest	**8,621,882**	8,705,016
Total Equity	**3,730,295,288**	3,387,219,064
TOTAL LIABILITIES AND EQUITY	**₱4,333,772,120**	₱3,955,807,115

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 13)	**₱3,073,772,249**	₱3,201,053,915	₱2,187,416,543
COST OF GOODS SOLD (Notes 14 and 22)	**(1,866,010,087)**	(2,013,139,157)	(1,302,094,875)
GROSS PROFIT	**1,207,762,162**	1,187,914,758	885,321,668
Operating expenses (Note 15)	**(723,586,790)**	(662,905,601)	(524,090,900)
Interest income (Notes 4, 10 and 22)	**46,566,227**	20,084,373	11,843,741
Interest expense (Note 21)	**(7,176,403)**	(3,904,851)	(2,558,372)
Foreign exchange gain (loss) - net (Note 19)	**1,788,305**	(9,875,277)	(1,462,226)
Other income - net (Note 16)	**19,343,473**	2,607,894	1,205,962
INCOME BEFORE INCOME TAX	**544,696,974**	533,921,296	370,259,873
PROVISION FOR INCOME TAX (Note 18)			
Current	**142,572,961**	133,816,652	92,271,706
Deferred	**(6,954,305)**	676,078	1,755,071
	135,618,656	134,492,730	94,026,777
NET INCOME	**₱409,078,318**	₱399,428,566	₱276,233,096
Net income attributable to:			
Equity holders of the Company	**₱408,439,609**	₱399,068,571	₱275,871,248
Noncontrolling interest	**638,709**	359,995	361,848
	₱409,078,318	₱399,428,566	₱276,233,096
BASIC/DILUTED EARNINGS PER SHARE (Note 23)	**₱0.618**	₱0.603	₱0.417

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱409,078,318**	₱399,428,566	₱276,233,096
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Increase in revaluation increment due to appraisal (Note 9)	**22,000**	14,235,000	31,838,000
Income tax effect	**(5,500)**	(3,558,750)	(7,959,500)
Change in tax rate (Note 18)	**–**	–	25,169,940
	16,500	10,676,250	49,048,440
Remeasurement gains (losses) on retirement benefits (Note 17)	**(9,336,963)**	5,040,366	16,487,392
Income tax effect	**2,334,241**	(1,260,092)	(4,121,848)
Change in tax rate (Note 18)	**–**	–	(1,390,280)
	(7,002,722)	3,780,274	10,975,264
Net changes in fair values of equity instruments designated at FVOCI (Note 8)	**7,836,911**	5,176,816	1,782,889
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**850,689**	19,633,340	61,806,593
TOTAL COMPREHENSIVE INCOME	**₱409,929,007**	₱419,061,906	₱338,039,689
Total comprehensive income attributable to:			
Equity holders of the Company	**₱409,290,298**	₱418,701,911	₱337,677,841
Noncontrolling interest	**638,709**	359,995	361,848
	₱409,929,007	₱419,061,906	₱338,039,689

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Attributable to the Equity Holders of the Company									
	Capital Stock (Note 12)	Capital Paid in Excess of Par (Note 12)	Revaluation Increment - Net of Deferred Income Tax Effect (Notes 9 and 12)	Remeasurement Gains (Losses) on Retirement Benefits - Net of Deferred Income Tax Effect (Notes 12 and 17)	Reserve for Fluctuations in Investments in Equity Instruments (Notes 8 and 12)	Retained Earnings (Note 12) Appropriated	Retained Earnings (Note 12) Unappropriated	Total	Non-controlling Interest	Total
BALANCES AT JANUARY 1, 2021	**₱661,309,398**	**₱176,594,308**	**₱352,379,167**	**(₱19,463,920)**	**(₱10,166,553)**	**₱1,000,000,000**	**₱593,743,776**	**₱2,754,396,176**	**₱10,139,999**	**₱2,764,536,175**
Net income	–	–	–	–	–	–	275,871,248	275,871,248	361,848	276,233,096
Other comprehensive income	–	–	49,048,440	10,975,264	1,782,889	–	–	61,806,593	–	61,806,593
Total comprehensive income	–	–	49,048,440	10,975,264	1,782,889	–	275,871,248	337,677,841	361,848	338,039,689
Cash dividends (Note 12)	–	–	–	–	–	–	(66,130,940)	(66,130,940)	(2,156,826)	(68,287,766)
BALANCES AT DECEMBER 31, 2021	**661,309,398**	**176,594,308**	**401,427,607**	**(8,488,656)**	**(8,383,664)**	**1,000,000,000**	**803,484,084**	**3,025,943,077**	**8,345,021**	**3,034,288,098**
Net income	–	–	–	–	–	–	399,068,571	399,068,571	359,995	399,428,566
Other comprehensive income	–	–	10,676,250	3,780,274	5,176,816	–	–	19,633,340	–	19,633,340
Total comprehensive income	–	–	10,676,250	3,780,274	5,176,816	–	399,068,571	418,701,911	359,995	419,061,906
Cash dividends (Note 12)	–	–	–	–	–	–	(66,130,940)	(66,130,940)	–	(66,130,940)
BALANCES AT DECEMBER 31, 2022	**661,309,398**	**176,594,308**	**412,103,857**	**(4,708,382)**	**(3,206,848)**	**1,000,000,000**	**1,136,421,715**	**3,378,514,048**	**8,705,016**	**3,387,219,064**
Net income	–	–	–	–	–	–	408,439,609	408,439,609	638,709	409,078,318
Other comprehensive income (loss)	–	–	16,500	(7,002,722)	7,836,911	–	–	850,689	–	850,689
Total comprehensive income (loss)	–	–	16,500	(7,002,722)	7,836,911	–	408,439,609	409,290,298	638,709	409,929,007
Cash dividends (Note 12)	–	–	–	–	–	–	(66,130,940)	(66,130,940)	(721,843)	(66,852,783)
BALANCES AT DECEMBER 31, 2023	**₱661,309,398**	**₱176,594,308**	**₱412,120,357**	**(₱11,711,104)**	**₱4,630,063**	**₱1,000,000,000**	**₱1,478,730,384**	**₱3,721,673,406**	**₱8,621,882**	**₱3,730,295,288**

See accompanying Notes to Consolidated Financial Statements.

MABUHAY VINYL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱544,696,974**	₱533,921,296	₱370,259,873
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 14 and 15)	**105,530,193**	93,998,624	96,588,502
Interest income (Notes 4, 10 and 22)	**(46,566,227)**	(20,084,373)	(11,843,741)
Interest expense (Note 21)	**7,176,403**	3,904,851	2,558,372
Movement in net retirement benefits asset (Note 17)	**7,082,987**	(5,247,011)	(2,361,044)
Unrealized foreign exchange loss (gain) - net	**(1,038,841)**	913,831	(131,317)
Amortization of interest on notes receivables (Note 16)	**190,131**	220,492	208,958
Unrealized interest income on notes receivables	**–**	(273,619)	(484,863)
Loss (gain) on sale of equipment (Note 16)	**–**	(196,696)	326,310
Operating income before working capital changes	**617,071,620**	607,157,395	455,121,050
Decrease (increase) in:			
Trade and other receivables	**(19,820,349)**	(89,969,281)	(110,379,256)
Inventories	**172,681,669**	(124,016,849)	(67,664,863)
Other current assets	**(47,149,205)**	1,223,631	(30,541,819)
Security and rental deposits	**(3,515,729)**	3,888,852	(4,492,700)
Increase (decrease) in:			
Trade and other payables and provisions	**(17,873,003)**	141,988,686	8,480,944
Customers' deposits	**616,363**	2,766,286	286,785
Cash generated from operations	**702,011,366**	543,038,720	250,810,141
Income taxes paid, including creditable and final withholding taxes	**(172,217,035)**	(132,871,223)	(108,237,306)
Net cash from operating activities	**529,794,331**	410,167,497	142,572,835
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment, including advances to suppliers (Notes 9 and 10)	**(411,928,550)**	(395,200,486)	(170,259,052)
Collections of loans and notes receivable (Notes 5, 10 and 22)	**101,721,835**	2,509,322	2,592,598
Additions to short-term investments (Note 4)	**(93,865,567)**	–	–
Interest received (Notes 4, 10, and 22)	**39,954,800**	19,230,041	10,748,570
Issuance of loans and notes receivable (Notes 10 and 22)	**–**	(4,864,000)	(303,920,000)
Acquisition of golf shares (Note 8)	–	(1,205,000)	–
Proceeds from sale of equipment	–	196,696	830,354
Net cash used in investing activities	**(364,117,482)**	(379,333,427)	(460,007,530)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid to equity holders of the Company (Note 12)	**(62,577,657)**	(64,555,817)	(64,398,585)
Dividends paid to noncontrolling interest (Note 12)	**(721,843)**	–	(2,156,826)
Payment of principal portion of lease liabilities (Note 21)	**(11,728,918)**	(8,383,560)	(9,276,042)
Interest paid (Note 21)	**(7,176,403)**	(3,904,851)	(2,558,372)
Cash used in financing activities	**(82,204,821)**	(76,844,228)	(78,389,825)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	(138,959)	1,222,083
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**83,472,028**	(46,149,117)	(394,602,437)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**596,601,804**	642,750,921	1,037,353,358
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱680,073,832**	₱596,601,804	₱642,750,921

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. 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 parent company is a foreign corporation based, organized, and existing under the laws of Japan.

The Company operates manufacturing plants in Assumption Heights, Buru-un, Iligan City and Laguna Technopark, Biñan, Laguna. The Company and MPI’s registered address is 22F The Salcedo Towers, 169 H.V. Dela Costa St., Salcedo Village, Makati City.

The consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were approved for issue by the Board of Directors (BOD) on February 28, 2024.

2. Summary of Material Accounting 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.

Noncontrolling Interest
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 for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

  The amendments had no impact on the Group's consolidated financial statements because the Group's accounting policies are aligned with the amendments to PAS 8.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  The amendments had no impact on the Group's consolidated financial statements, except for the presentation of gross deferred tax assets and liabilities for long-term leases in the disclosure of deferred taxes.

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.
  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

<u>Standards Issued but not yet Effective</u>
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, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  The adoption will not materially affect the Group.

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

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, 2023 and 2022, the Group's equity instruments and land are carried at fair value with recurring fair value measurements.

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.

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, loans receivable, 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 365 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).

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and

the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered solely payment for principal and interest

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a “new” financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial Liabilities

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.

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.

The Group’s financial liabilities include trade and other payables, provisions, lease liabilities 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.

Derecognition of Financial Assets and Liabilities
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
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.

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.

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:

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

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.

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.

Revenue
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.

Other revenue
The Group provides other services to certain customers and sale of excess power to market. The Group recognizes revenue upon completion of the related services or sales of excess power at the spot market.

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.

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.

Operating expenses
Operating expenses primarily consist of shipping and delivery, payroll and related expenses, depreciation expense, professional fees and other expenses. These 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
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:

	Years
Land	10
Building	5
Warehouse and storage tanks	10

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.

<u>Retirement Benefit Costs</u>
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.

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:

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 9 and 22). Based on these facts and circumstances, management concluded that the Company controls MPI and, therefore, included MPI in the consolidated financial statements.

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 21).

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, 2023 and 2022.

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 in the costing of inventories
The Company's inventories, consisting mainly of industrial salt and chemicals – caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite, 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 quantities of inventories could vary significantly as a result of changes in the management's estimate of the factors considered in determining the physical quantities in the costing of inventories.

The carrying amounts of inventories as of December 31, 2023 and 2022 are disclosed in Note 6.

Revaluation of land
The land, included in property, plant and equipment, is stated at revalued based on the fair market value of the properties as determined by an SEC-accredited independent firm of appraisers. The valuation was made on the basis of the fair market value determined whose calculations 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. The latest valuation date is as of December 31, 2023. As of December 31, 2023, and 2022, the carrying value of land is disclosed in Note 9.

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. There is no change in the estimated useful lives during the year. The carrying values of depreciable property, plant and equipment as of December 31, 2023 and 2022 are disclosed in Note 9.

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. The carrying values of trade receivables as of December 31, 2023 and 2022 are disclosed in Note 5.

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 control and 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 unquoted equity investment as of December 31, 2023 and 2022 is disclosed in Note 8.

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 17 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 carrying values of net retirement benefits asset (payable) as of December 31, 2023 and 2022 are disclosed in Note 17.

Estimation and recognition of deferred income tax assets
The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the forecasted taxable income of the following year. This forecast is based on the Group's past results and future expectations on revenues and expenses.

The carrying values of gross deferred income tax assets as at December 31, 2023 and 2022 are disclosed in Note 18.

4. Cash and Cash Equivalents and Short-term Investments

	2023	2022
Cash on hand and in banks	**₱673,073,832**	₱391,057,227
Cash equivalents	**7,000,000**	205,544,577
	₱680,073,832	₱596,601,804

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 and are subject to an insignificant risk of change in value. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of between one day to three months and earn an average interest rate of 5.00% to 6.25% in 2023 and 0.50% to 5.25% in 2022.

Interest income earned on cash and cash equivalents amounted to ₱9.79 million in 2023, ₱4.08 million in 2022 and ₱3.55 million in 2021.

Additions to short-term investments amounted to ₱93.87 million in 2023. Short-term investments earn an average interest rate of 5.76% in 2023. Interest income earned on short-term investments amounted to ₱1.05 million in 2023.

5. Trade and Other Receivables

	2023	2022
Trade (Note 13):		
Private	**₱709,763,220**	₱692,713,838
Government	**9,641,983**	8,319,937
Related party (Note 22)	**330,174**	835,912
	719,735,377	701,869,687

Current portion of notes receivable (Note 10)	**1,902,507**	1,911,966
Interest receivable (Note 22)	**6,383,243**	2,019,863
Other receivables	**8,364,325**	4,253,027
	736,385,452	710,054,543
Less allowance for ECL	**(8,692,282)**	(8,692,282)
	₱727,693,170	₱701,362,261

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 each of the three years in the period ended December 31, 2023.

Total intercompany receivable eliminated upon consolidation amounted to ₱1.87 million and ₱0.37 million as of December 31, 2023 and 2022.

6. Inventories

	2023	2022
At cost:		
Finished goods and merchandise (Notes 14 and 22)	**₱100,429,876**	₱290,715,847
Work-in-process	**10,284,765**	15,655,376
Raw materials	**109,635,156**	86,660,243
	₱220,349,797	₱393,031,466

Inventories recognized as expense are presented as "Cost of goods sold" in the consolidated statements of income (see Note 14).

7. Other Current Assets

	2023	2022
Advances on purchases	**₱67,479,968**	₱24,216,300
Materials and supplies	**37,701,902**	32,134,055
Prepaid taxes	**37,621,428**	26,527,669
Prepaid expenses	**6,384,940**	5,718,183
Net input VAT	**5,423,213**	7,787,238
Prepaid insurance	**132,387**	132,387
Other prepayments	**138,000**	123,042
	₱154,881,838	₱96,638,874

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.

8. Equity Instruments Designated at FVOCI

	2023	2022
Quoted equity instruments:		
Listed companies	**₱399,915**	₱399,915
Golf shares	**3,700,000**	3,005,000
Changes in fair value included in OCI	**4,600,000**	695,000
	8,699,915	4,099,915

Unquoted equity instruments:		
Balances at beginning of year	**25,692,722**	21,210,906
Changes in fair value included in OCI	**3,236,911**	4,481,816
Balances at end of year	**28,929,633**	25,692,722
	₱37,629,548	₱29,792,637

The fair value of investments in shares of listed companies was based on their bid prices as of December 31, 2023 and 2022. 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, 2023 and 2022. In 2022, the Company acquired golf shares amounting to ₱1,205,000 (nil in 2023).

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 control and lack of marketability.

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

	2023	2022
Balances at beginning of year	**(₱3,206,848)**	(₱8,383,664)
Change in fair value included in OCI	**7,836,911**	5,176,816
Balances at end of year	**₱4,630,063**	(₱3,206,848)

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

9. Property, Plant and Equipment

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

As of December 31, 2023

	Beginning Balances	Additions	Disposals/ Retirement	Reclassifications	Ending Balances
Cost					
Land improvements	₱43,588,645	₱–	₱–	₱–	₱43,588,645
Buildings and structures	334,568,497	–	–	–	334,568,497
Machinery and equipment	1,900,732,853	–	–	110,000	1,900,842,853
Transportation equipment	319,498,207	–	–	30,679,100	350,177,307
Office furniture and equipment	53,218,202	–	–	434,531	53,652,733
Leasehold improvements	23,137,750	–	–	–	23,137,750
Right-of-use asset - land	27,939,997	83,549,449	–	–	111,489,446
Right-of-use asset - building	26,134,698	–	–	–	26,134,698
Right-of-use asset - warehouse and storage tanks	31,486,187	–	–	–	31,486,187
	2,760,305,036	83,549,449	–	31,223,631	2,875,078,116
Accumulated Depreciation					
Land improvements	37,483,065	1,218,317	–	–	38,701,382
Buildings and structures	280,010,844	9,834,124	–	–	289,844,968
Machinery and equipment	1,640,661,455	46,508,619	–	–	1,687,170,074
Transportation equipment	279,741,973	27,867,106	–	–	307,609,079
Office furniture and equipment	48,805,880	2,753,185	–	–	51,559,065
Leasehold improvements	11,081,707	1,552,994	–	–	12,634,701
Right-of-use asset - land	12,514,998	8,030,398	–	–	20,545,396
Right-of-use asset - building	13,534,454	5,124,751	–	–	18,659,205
Right-of-use asset - warehouse and storage tanks	7,148,332	2,527,391	–	–	9,675,723
	2,330,982,708	105,416,885	–	–	2,436,399,593
	429,322,328	(21,867,436)	–	31,223,631	438,678,523
Construction in progress	185,715,682	389,893,408	–	(31,223,631)	544,385,459
Net Book Values	₱615,038,010	₱368,025,972	₱–	₱–	₱983,063,982

As of December 31, 2022

	Beginning Balances	Additions	Disposals/ Retirement	Reclassifications	Ending Balances
Cost					
Land improvements	₱43,588,645	₱–	₱–	₱–	₱43,588,645
Buildings and structures	326,490,699	–	–	8,077,798	334,568,497
Machinery and equipment	1,837,034,160	1,105,356	–	62,593,337	1,900,732,853
Transportation equipment	282,894,871	2,591,357	(527,388)	34,539,367	319,498,207
Office furniture and equipment	50,178,401	1,099,168	–	1,940,633	53,218,202
Leasehold improvements	22,706,485	–	–	431,265	23,137,750
Right-of-use asset - land	27,939,997	–	–	–	27,939,997
Right-of-use asset - building	26,134,698	–	–	–	26,134,698
Right-of-use asset - warehouse and storage tanks	31,486,187	–	–	–	31,486,187
	2,648,454,143	4,795,881	(527,388)	107,582,400	2,760,305,036
Accumulated Depreciation					
Land improvements	36,251,964	1,231,101	–	–	37,483,065
Buildings and structures	269,258,566	10,752,278	–	–	280,010,844
Machinery and equipment	1,589,973,841	50,687,614	–	–	1,640,661,455
Transportation equipment	264,869,542	15,399,819	(527,388)	–	279,741,973
Office furniture and equipment	45,103,204	3,702,676	–	–	48,805,880
Leasehold improvements	9,532,025	1,549,682	–	–	11,081,707
Right-of-use asset - land	9,604,994	2,910,004	–	–	12,514,998
Right-of-use asset - building	8,409,703	5,124,751	–	–	13,534,454
Right-of-use asset - warehouse and storage tanks	4,620,941	2,527,391	–	–	7,148,332
	2,237,624,780	93,885,316	(527,388)	–	2,330,982,708
	410,829,363	(89,089,435)	–	107,582,400	429,322,328
Construction in progress	95,743,474	197,554,608	–	(107,582,400)	185,715,682
Net Book Values	₱506,572,837	₱108,465,173	₱–	₱–	₱615,038,010

There are no restrictions on title and no amounts of property, plant and equipment that were used as collateral for the Group's liabilities.

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, 2023 and 2022 amounted to ₱26.44 million and ₱25.82 million, respectively.

<u>Construction in progress</u>
Construction in progress includes amounts of ₱544.39 million and ₱185.72 million as of December 31, 2023 and 2022, respectively, relating to expenditures for property, plant and equipment in the course of construction or completion. As of December 31, 2023 and 2022, the Group has significant firm capital commitments relating to the completion of construction in progress amounting to ₱54.10 million and ₱83.86 million, respectively.

b. Land of a subsidiary at revalued amount as of December 31, 2023 and 2022 consists of:

	2023	2022
Cost	**₱13,506,189**	₱13,506,189
Appraisal increase:		
Balances at beginning of year	**549,471,811**	535,236,811
Increase in revaluation increment	**22,000**	14,235,000
Balances at end of year	**549,493,811**	549,471,811
	₱563,000,000	₱562,978,000

As of December 31, 2023, and 2022, the parcels of land are stated at revalued amount categorized under Level 3 based on the appraisal report with valuation date as at December 31, 2023 and December 2, 2022, respectively, by SEC-accredited and independent appraisal companies. The appraised value as of December 31, 2023 and 2022 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 ₱1,740 to ₱10,500 in 2023 and 2022. 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, 2023 and 2022, the revaluation increment, net of the deferred income tax effect, amounted to ₱412.12 million and ₱412.10 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.

10. **Other Noncurrent Assets**

	2023	2022
Advances to suppliers	**₱247,382,151**	₱225,347,008
Security and rental deposits (Note 21)	**21,654,348**	18,138,619
Notes receivable - net of current portion (Note 5)	**4,043,646**	5,946,153
Intangible assets - net of amortization of ₱113,308	**134,241**	247,549
	₱273,214,386	₱249,679,329

The Company granted loans to third party borrowers with a total principal amount of ₱4.86 million in 2022 (nil in 2023) 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 2023, ₱0.31 million in 2022 and ₱0.23 million in 2021.

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

11. **Trade and Other Payables**

	2023	2022
Trade payables (Note 22)	**₱149,629,069**	₱186,474,147
Accrued expenses:		
Shipping and distribution	**45,991,000**	34,139,252
Rent and power	**5,475,834**	7,378,115
Professional fees and other services	**9,072,011**	6,350,287
Payroll and others	**31,500,970**	37,937,501
Dividends payable (Note 12)	**21,117,631**	17,564,348
Withholding taxes and other payables	**5,438,060**	6,535,026
Contract liabilities (Note 13)	**3,162,956**	3,162,956
Others	**6,828,358**	4,624,225
	₱278,215,889	₱304,165,857

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

Accrued expenses are noninterest-bearing and have average terms of one to two months.

12. **Equity**

Capital Stock
The number of shares authorized, issued and outstanding as of December 31, 2023 and 2022 are as follows:

Authorized at ₱1 par value per share	1,072,942,532
Issued and outstanding	661,309,398
Capital paid in excess of par	176,594,308

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 2,225 and 2,235 as of December 31, 2023 and 2022, 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, 2023, 2022 and 2021:

Date of Declaration	Date of Record	Dividend rate	Dividend per share	Amount
April 27, 2023	May 26, 2023	10%	₱0.10	₱66,130,940
April 28, 2022	May 26, 2022	10%	0.10	66,130,940
April 28, 2021	May 26, 2021	10%	0.10	66,130,940

On April 27, 2023, MPI declared and paid cash dividends amounting to ₱0.72 million to Common B stockholders of record as of April 30, 2023. On April 28, 2021, MPI declared and paid cash dividends amounting to ₱2.16 million to Common B stockholders of record as of April 30, 2021.

Movements of dividends payable follow:

	2023	2022	2021
Balances at beginning of year	**₱17,564,348**	₱15,989,225	₱14,256,870
Cash dividends declared	**66,852,783**	66,130,940	68,287,766
Dividends paid to equity holders	**(62,577,657)**	(64,555,817)	(64,398,585)
Dividends paid to noncontrolling interests	**(721,843)**	–	(2,156,826)
Balances at end of year	**₱21,117,631**	₱17,564,348	₱15,989,225

Retained earnings include ₱74.95 million and ₱56.95 million as of December 31, 2023 and 2022, respectively, representing deferred income tax assets, unrealized foreign exchange gain and undistributed earnings of MPI, which are not available for dividend declaration.

On November 21, 2018, the BOD issued a resolution to appropriate retained earnings of ₱700.00 million for future projects and capital expenditures. On February 27, 2020, the BOD issued a resolution to make an additional appropriation on retained earnings of ₱300.00 million for future projects and capital expenditures.

Details of the appropriated retained earnings as at December 31, 2023 and 2022 follow:

Projects	Time Line	2023	2022
Future projects and capital expenditures	2021 – 2023	**₱1,000,000,000**	₱1,000,000,000

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, 2021	**₱352,379,167**	**(₱19,463,920)**	**(₱10,166,553)**	**₱322,748,694**
Increase in revaluation increment due to appraisal	49,048,440	–	–	49,048,440
Remeasurement gains on retirement benefits	–	10,975,264	–	10,975,264
Net changes in fair values on equity instruments designated at FVOCI	–	–	1,782,889	1,782,889
BALANCES AT DECEMBER 31, 2021	**401,427,607**	**(8,488,656)**	**(8,383,664)**	**384,555,287**
Increase in revaluation increment due to appraisal	10,676,250	–	–	10,676,250
Remeasurement gains on retirement benefits	–	3,780,274	–	3,780,274
Net changes in fair values on equity instruments designated at FVOCI	–	–	5,176,816	5,176,816
BALANCES AT DECEMBER 31, 2022	**412,103,857**	**(4,708,382)**	**(3,206,848)**	**404,188,627**
Increase in revaluation increment due to appraisal	16,500	–	–	16,500
Remeasurement loss on retirement benefits	–	(7,002,722)	–	(7,002,722)
Net changes in fair values on equity instruments designated at FVOCI	–	–	7,836,911	7,836,911
BALANCES AT DECEMBER 31, 2023	**₱412,120,357**	**(₱11,711,104)**	**₱4,630,063**	**₱405,039,316**

13. 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:

	2023	2022	2021
By type			
Goods	**₱3,067,191,521**	₱3,198,251,185	₱2,178,369,826
Others	**6,580,728**	2,802,730	9,046,717
	₱3,073,772,249	₱3,201,053,915	₱2,187,416,543

	2023	2022	2021
By customers			
Private	**₱3,031,921,680**	₱3,161,752,524	₱2,154,438,687
Government	**36,714,139**	33,157,273	28,914,649
Related party (Note 22)	**5,136,430**	6,144,118	4,063,207
	₱3,073,772,249	₱3,201,053,915	₱2,187,416,543

Contract Balances

The Group's trade receivables as at December 31, 2023 and 2022 are disclosed in Note 5 while contract liabilities, which pertain to advance payments from customers as at December 31, 2023 and 2022, are disclosed in Note 11. The advance payments from customers as of December 31, 2023 will be recognized as revenue in 2024.

Set out below is the amount of revenue recognized from:

	2023	2022	2021
Amounts included in contract liabilities at the beginning of the year	**₱3,162,956**	₱7,395,673	₱4,676,019

The Group has no contract assets as at December 31, 2023 and 2022.

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.

14. Cost of Goods Sold

	2023	2022	2021
Finished goods and merchandise inventories, January 1	**₱290,715,847**	₱195,099,409	₱136,443,933
Raw materials used and merchandise purchased (Note 22)	**1,339,795,075**	1,811,782,103	1,086,105,243
Direct labor	**41,442,808**	41,136,509	37,875,268
Manufacturing overhead:			
Supervision and indirect labor	**51,081,806**	48,724,927	46,123,025
Depreciation and amortization (Notes 9 and 10)	**48,408,862**	52,891,245	46,417,991
Supplies and facilities	**47,321,450**	42,342,671	37,796,341
Repairs and maintenance	**45,722,905**	35,646,467	37,346,258
Taxes and licenses	**18,765,937**	17,958,765	15,811,031
Rent and utilities (Note 21)	**8,983,658**	9,400,264	7,262,896
Others	**68,831,004**	58,755,291	47,504,578
Total manufacturing cost and merchandised purchased	**1,670,353,505**	2,118,638,242	1,362,242,631
Decrease (increase) in work in process inventories	**5,370,611**	(9,882,647)	(1,492,280)
Cost of goods manufactured and merchandise purchased	**1,675,724,116**	2,108,755,595	1,360,750,351
Total goods available for sale	**1,966,439,963**	2,303,855,004	1,497,194,284
Finished goods and merchandise inventories, December 31	**(100,429,876)**	(290,715,847)	(195,099,409)
	₱1,866,010,087	₱2,013,139,157	₱1,302,094,875

15. Operating Expenses

	2023	2022	2021
Shipping and delivery	**₱443,165,458**	₱446,746,950	₱317,414,698
Depreciation (Note 9)	**57,121,331**	41,107,379	50,170,511
Salaries and wages	**36,430,183**	36,335,113	33,036,178
Taxes and licenses	**35,729,138**	22,321,567	15,646,281
Supplies	**33,028,650**	24,727,769	23,421,043
Employee benefits	**24,996,074**	22,327,637	19,027,243
Retirement benefits costs (Note 17)	**23,582,987**	6,752,989	8,638,956
Rent, light and water (Note 21)	**13,777,882**	11,330,780	10,554,341
Repairs and maintenance	**11,730,490**	11,754,812	11,495,926
Professional fees	**9,967,723**	9,546,529	9,161,136
Insurance	**8,328,444**	7,007,275	6,530,610
Transportation and travel	**6,959,090**	4,772,660	2,552,625
Communication	**2,363,591**	2,667,291	3,321,489
Entertainment, amusement and recreation	**1,794,395**	2,025,596	791,783
Others	**14,611,354**	13,481,254	12,328,080
	₱723,586,790	₱662,905,601	₱524,090,900

Professional fees include remuneration of some members of the BOD amounting to ₱0.94 million in 2023, ₱0.93 million in 2022 and ₱0.96 million in 2021.

16. **Other Income (Charges) - Net**

	2023	2022	2021
Sale of excess power	**₱17,133,589**	₱–	₱–
Sale of scraps	**508,613**	128,062	237,769
Amortization of interest on notes receivable	**(190,131)**	(220,492)	(208,958)
Gain (loss) on sale of equipment	**–**	196,696	(326,310)
Others - net	**1,891,402**	2,503,628	1,503,461
	₱19,343,473	₱2,607,894	₱1,205,962

Sale of excess power pertains to unutilized contracted power sold at the spot market.

Others include rent income, docking fee and miscellaneous charges.

17. **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 are as follows:

	2023	2022	2021
Current service cost	**₱5,318,298**	₱6,773,254	₱7,919,364
Past service cost	**19,044,674**	–	–
Net interest cost (income)	**(779,985)**	(20,265)	719,592
Retirement expense recognized in profit or loss (Note 15)	**23,582,987**	6,752,989	8,638,956
Remeasurements recognized in OCI	**9,336,963**	(5,040,366)	(16,487,392)
Retirement benefit costs (income)	**₱32,919,950**	₱1,712,623	(₱7,848,436)

The remeasurements on retirement benefits consists of:

	2023	2022	2021
Gains (losses) on obligation arising from:			
Changes in financial assumptions	**(₱11,408,643)**	₱18,605,748	₱12,361,258
Experience adjustments	**3,985,952**	(5,817,651)	6,099,561
	(7,422,691)	12,788,097	18,460,819
Losses on plan assets	**(1,914,272)**	(7,747,731)	(1,973,427)
Remeasurement gains (losses)	**(₱9,336,963)**	₱5,040,366	₱16,487,392

The details of the retirement benefits asset are as follows:

	2023	2022
Present value of defined benefits obligation	**₱120,111,153**	₱95,228,861
Fair value of plan assets	**(114,375,937)**	(105,913,595)
Net retirement benefits payable (asset)	**₱5,735,216**	(₱10,684,734)

The movements in the retirement benefits asset are as follows:

	2023	2022
Balances at beginning of year	**(₱10,684,734)**	(₱397,357)
Retirement benefit costs	**32,919,950**	1,712,623
Contributions	**(16,500,000)**	(12,000,000)
Balances at end of year	**₱5,735,216**	(₱10,684,734)

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

	2023	2022
Balances at beginning of year	**₱95,228,861**	₱110,064,409
Current service cost	**5,318,298**	6,773,254
Past service cost	**19,044,674**	–
Interest cost on benefit obligation	**6,951,707**	5,613,285
Benefits paid	**(13,855,078)**	(14,433,990)
Remeasurement losses (gains) on obligation from:		
Change in assumptions	**11,408,643**	(18,605,748)
Experience adjustments	**(3,985,952)**	5,817,651
Balances at end of year	**₱120,111,153**	₱95,228,861

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

	2023	2022
Balances at beginning of year	**₱105,913,595**	₱110,461,766
Interest income on plan assets	**7,731,692**	5,633,550
Contributions	**16,500,000**	12,000,000
Benefits paid	**(13,855,078)**	(14,433,990)
Remeasurement losses	**(1,914,272)**	(7,747,731)
Balances at end of year	**₱114,375,937**	₱105,913,595

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

	2023	2022	2021
Interest income on plan assets	**₱7,731,692**	₱5,633,550	₱4,178,007
Remeasurement losses	**(1,914,272)**	(7,747,731)	(1,973,427)
	₱5,817,420	(₱2,114,181)	₱2,204,580

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:

	2023	2022
Cash	**0.08%**	1.57%
Investments in debt securities:		
Government securities	**55.05%**	51.61%
Corporate debt securities	**18.76%**	17.56%
Loans and other receivables	**1.00%**	1.49%

	2023	2022
Investments in equity securities:		
Property	**12.34%**	13.44%
Holding firms	**4.42%**	5.42%
Bank	**3.55%**	3.45%
Food, beverage, and tobacco	**1.32%**	1.38%
Telecommunications	**1.29%**	1.37%
Transportation services	**1.12%**	1.48%
Power and utilities	**0.69%**	0.66%
Retail	**0.38%**	0.57%
	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 investments in equity and debt securities are based on quoted prices as of balance sheet dates. The carrying value of cash and loans and other receivables approximate its fair value.

The Company expects to contribute ₱18.00 million in 2024.

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

	2023	2022	2021
Discount rate	**7.30%**	5.10%	3.90%
Salary increase rate	**6.00%**	6.00%	6.00%

As of December 31, 2023, discount rate and salary increase rate are 6.10% and 6.00%, respectively.

The latest actuarial valuation made for the plan was as of December 31, 2023.

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, 2023 and 2022, assuming all other assumptions were held constant:

	Increase (decrease) in rate	**2023**	2022
Discount rate			
Assumption 1	**+0.5%**	**(₱3,920,427)**	(₱14,072,267)
Assumption 2	**-0.5%**	**17,135,066**	7,023,551
Future salary increase rate			
Assumption 1	**+0.5%**	**16,230,107**	7,281,043
Assumption 2	**-0.5%**	**(3,326,844)**	(13,860,363)

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

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

	2023	2022	2021
Not later than one year	**₱8,439,061**	₱19,124,059	₱9,201,395
Later than one year and not later than five years	**65,765,386**	34,126,908	51,022,163
Later than five years	**596,107,150**	510,697,134	463,439,681

18. **Income Taxes**

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

	2023	2022	2021
Regular corporate income tax	**₱140,324,914**	₱132,998,205	₱91,527,040
Final tax	**2,248,047**	818,447	744,666
	₱142,572,961	₱133,816,652	₱92,271,706

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

	2023	2022
Deferred income tax assets recognized in profit or loss:		
Lease liabilities	**₱69,371,879**	₱14,274,402
Unamortized past service cost	**5,814,431**	4,968,277
Allowance for expected credit losses	**2,173,071**	2,173,071
Other noncurrent liabilities	**448,375**	448,375
Provision for incentives	**139,727**	139,727
Unrealized foreign exchange loss	–	181,010
	77,947,483	22,184,862
Deferred income tax liabilities recognized in profit or loss:		
Right-of-use assets	**(63,638,672)**	(13,090,775)
Net retirement benefits asset	**(2,469,897)**	(4,240,644)
Premium on notes receivable	**(61,363)**	(108,897)
Unrealized foreign exchange gains	**(78,700)**	–
	(66,248,632)	(17,440,316)
Deferred income tax asset on net retirement plan assets recognized directly in other comprehensive income	**3,903,701**	1,569,460
Deferred income tax liability on revaluation increment recognized directly in other comprehensive income	**(137,373,453)**	(137,367,953)
Net deferred income tax liabilities	**(₱121,770,901)**	(₱131,053,947)

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

	2023	2022	2021
Balances at beginning of year	**(₱131,053,947)**	(₱125,559,027)	(₱135,502,268)
Recognized in profit or loss	**6,954,305**	(676,078)	(1,755,071)
Recognized in OCI	**(2,328,741)**	(4,818,842)	11,698,312
Balances at end of year	**(₱126,428,383)**	(₱131,053,947)	(₱125,559,027)

There are no income tax consequences attached to the payment of dividends by the Group to its stockholders for each of the three years in the period ended December 31, 2023.

c. A reconciliation of income tax computed at the statutory income tax rate of 25% to the provision for income tax reflected in the consolidated statements of income is as follows:

	2023	2022	2021
Income tax at statutory rate	**₱136,174,244**	₱133,480,324	₱92,564,968
Increase (decrease) in provision for income tax resulting from:			
Nondeductible expenses	**1,562,363**	1,270,259	1,005,727
Interest income subjected to final tax	**(508,076)**	(257,853)	(148,056)
Others	**(1,609,875)**	–	–
Change in tax rate	–	–	604,138
Provision for income tax	**₱135,618,656**	₱134,492,730	₱94,026,777

19. **Financial Risk Management Objectives and Policies**

The Group's principal financial assets include trade and other receivables, cash and cash equivalents 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:

	2023	2022
Equity instruments designated at FVOCI:		
Quoted	**₱8,699,915**	₱4,099,915
Unquoted	**28,929,633**	25,692,722
	37,629,548	29,792,637
Debt instruments at amortized cost:		
Cash and cash equivalents*	**677,973,832**	594,521,804
Short-term investments	**93,865,567**	–
Trade and other receivables	**727,693,170**	701,362,261
Loans receivable	**600,000,000**	700,000,000
Notes receivable - noncurrent	**4,043,646**	5,946,153
Security and rental deposits**	**9,944,234**	6,386,326
	2,113,520,449	2,008,216,544
Total financial assets	**₱2,151,149,997**	₱2,038,009,181
Current	**₱2,099,532,569**	₱1,995,884,065
Noncurrent	**51,617,428**	42,125,116
Total financial assets	**₱2,151,149,997**	₱2,038,009,181
Other financial liabilities:		
Trade and other payables and provisions***	**₱291,114,873**	₱305,467,875
Lease liabilities	**128,918,139**	57,097,608
Customers' deposits	**26,438,143**	25,821,780
Total financial liabilities	**₱446,471,155**	₱388,387,263

**Excludes cash on hand amounting to ₱2.10 million and ₱2.08 million as at December 31, 2023 and 2022, respectively.*
***Excludes nonfinancial deposits amounting to ₱11.71 million and ₱11.75 million as at December 31, 2023 and 2022, respectively.*
****Excludes nonfinancial liabilities amounting to ₱8.60 million and ₱9.70 million as at December 31, 2023 and 2022, 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, 2023 and 2022.

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

	2023	2022
Cash	**US$176,124**	US$326,962
Trade receivables	**143,112**	120,011
Trade payables	**–**	(2,024,809)
Net	**319,236**	(1,577,836)
Closing exchange rate	**55.37**	55.76
Peso equivalent	**₱17,676,097**	(₱87,980,135)

The net foreign exchange losses (gains) amounted to (₱1.79 million) in 2023, ₱9.88 million in 2022 and ₱1.46 million in 2021.

The following table shows the effect on income before income tax for the years 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
2023	**(0.7%)**	**(₱122,057)**
	0.7%	**122,057**
2022	9.3%	(8,204,004)
	(9.3%)	8,204,004

The sensitivity analysis takes into account historical movements of Peso in every US$1 foreign exchange rates. The foreign exchange rates amounted to ₱55.37 and ₱55.76 per US$ as of December 31, 2023 and 2022, 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 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 gross credit exposure of the Group's financial assets is equal to their carrying values as of December 31, 2023 and 2022. 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 amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information up to reporting date. This included probability-weighted shocks to macro-economic factors.

The following tables below summarize the credit quality of the Group's financial assets (gross of allowance for impairment losses) as at December 31:

	2023					
	Current			Past Due		
	High	**Standard**	**Substandard**	**1-90 Days**	**> 90 days**	**Total**
Cash and cash equivalents*	**₱677,973,832**	**₱–**	**₱–**	**₱–**	**₱–**	**₱677,973,832**
Short-term investments	**93,865,567**	**–**	**–**	**–**	**–**	**93,865,567**
Trade receivables						
Private	**96,624,200**	**361,940,161**	**4,200,975**	**211,934,193**	**35,063,691**	**709,763,220**
Government	**439,000**	**2,290,987**	**–**	**5,052,143**	**1,859,853**	**9,641,983**
Related party	**330,174**	**–**	**–**	**–**	**–**	**330,174**
Loans receivable	**600,000,000**	**–**	**–**	**–**	**–**	**600,000,000**
Notes receivable	**5,946,153**	**–**	**–**	**–**	**–**	**5,946,153**
Interest and other receivables	**14,747,568**	**–**	**–**	**–**	**–**	**14,747,568**
Security and rental deposits**	**9,944,234**	**–**	**–**	**–**	**–**	**9,944,234**
	₱1,499,870,728	**₱364,231,148**	**₱4,200,975**	**₱216,986,336**	**₱36,923,544**	**₱2,122,212,731**

**Excludes cash on hand amounting to ₱2.10 million as at December 31, 2023.*
***Excludes nonfinancial deposits amounting to ₱11.71 million as at December 31, 2023.*

	2022					
	Current			Past Due	Credit	
	High	Standard	Substandard	(1-90 Days)	Impaired	Total
Cash and cash equivalents*	₱594,521,804	₱–	₱–	₱–	₱–	₱594,521,804
Trade receivables						
Private	125,821,253	500,808,562	6,190,138	51,428,095	8,465,790	692,713,838
Government	391,964	5,509,292	–	2,192,189	226,492	8,319,937
Related party	835,912	–	–	–	–	835,912
Loans receivable	700,000,000	–	–	–	–	700,000,000
Notes receivable	7,858,119	–	–	–	–	7,858,119
Interest and other receivables	6,272,890	–	–	–	–	6,272,890
Security and rental deposits**	6,386,326	–	–	–	–	6,386,326
	₱1,442,088,268	₱506,317,854	₱6,190,138	₱53,620,284	₱8,692,282	₱2,016,908,826

**Excludes cash on hand amounting to ₱2.08 million as at December 31, 2022.*
***Excludes nonfinancial deposits amounting to ₱11.75 million as at December 31, 2022.*

The Group classifies credit quality risk as follows:

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 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 expected credit losses.

The following tables below summarize the staging considerations (other than trade receivables subject to provision matrix) of the Group's financial assets as at December 31:

	2023			
	Stage 1 (12-Month ECL)	**Stage 2 (Life time ECL)**	**Stage 3 (Credit Impaired)**	**Total**
Cash and cash equivalents*	**₱677,973,832**	**₱–**	**₱–**	**₱677,973,832**
Short-term investments	**93,865,567**	**–**	**–**	**93,865,567**
Loans receivable	**600,000,000**	**–**	**–**	**600,000,000**
Notes receivable	**5,946,153**	**–**	**–**	**5,946,153**
Interest and other receivables	**14,747,568**	**–**	**–**	**14,747,568**
Security and rental deposits**	**9,944,234**	**–**	**–**	**9,944,234**
	₱1,402,477,354	**₱–**	**₱–**	**₱1,402,477,354**

**Excludes cash on hand amounting to ₱2.10 million as at December 31, 2023.*
***Excludes nonfinancial deposits amounting to ₱11.71 million as at December 31, 2023.*

	2022			
	Stage 1 (12-Month ECL)	Stage 2 (Life time ECL)	Stage 3 (Credit Impaired)	Total
Cash and cash equivalents*	₱594,521,804	₱–	₱–	₱594,521,804
Loans receivable	700,000,000	–	–	700,000,000
Notes receivable	7,858,119	–	–	7,858,119
Interest and other receivables	6,272,890	–	–	6,272,890
Security and rental deposits**	6,386,326	–	–	6,386,326
	₱1,315,039,139	₱–	₱–	₱1,315,039,139

**Excludes cash on hand amounting to ₱2.08 million as at December 31, 2022.*
***Excludes nonfinancial deposits amounting to ₱11.75 million as at December 31, 2022.*

Set out below is the information about the credit risk exposure on trade receivables using a provision matrix as of December 31:

	2023			
		Days Past Due		
	Current	**1-90 Days**	**> 90 Days**	**Total**
Expected credit loss rate	**0.19%**	**1.92%**	**9.88%**	
Estimated total gross carrying amount at default	**₱465,825,497**	**₱216,986,336**	**₱36,923,544**	**₱719,735,377**
Expected credit loss	**885,068**	**4,159,168**	**3,648,046**	**8,692,282**
Credit impaired	–	–	–	–
Total expected credit loss	**₱885,068**	**₱4,159,168**	**₱3,648,046**	**₱8,692,282**

	2022			
		Days Past Due		
	Current	1-90 Days	> 90 Days	Total
Expected credit loss rate	0%	0%	0%	
Estimated total gross carrying amount at default	₱639,557,121	₱53,620,284	₱–	₱693,177,405
Expected credit loss	–	–	–	–
Credit impaired	–	–	8,692,282	8,692,282
Total expected credit loss	₱–	₱–	₱8,692,282	₱8,692,282

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, 2023 and 2022:

December 31, 2023

	On-demand	**Up to a year**	**1-3 years**	**More than 3 years**	**Total**
Financial liabilities:					
Trade and other payables and provisions*	**₱–**	**₱291,114,872**	**₱–**	**₱–**	**₱291,114,872**
Customers' deposits	**26,438,143**	–	–	–	**26,438,143**
Lease liabilities**	–	**21,352,580**	**38,966,946**	**114,370,110**	**174,689,636**
	26,438,143	**312,467,452**	**38,966,946**	**114,370,110**	**492,242,651**
Financial assets:					
Cash on hand and in banks	**673,073,832**	–	–	–	**673,073,832**
Cash equivalents**	–	**7,075,833**	–	–	**7,075,833**
Short-term investments**	–	**95,064,960**	–	–	**95,064,960**
Trade receivables					
Private	–	**709,763,220**	–	–	**709,763,220**
Government	–	**9,641,983**	–	–	**9,641,983**
Related party	–	**330,174**	–	–	**330,174**
Loans receivable	–	**600,000,000**	–	–	**600,000,000**
	673,073,832	**1,421,876,170**	–	–	**2,094,950,002**
Excess (deficiency) of financial assets over financial liabilities	**₱646,635,689**	**₱1,109,408,718**	**(₱38,966,946)**	**(₱114,370,110)**	**₱1,602,707,351**

**Excludes nonfinancial liabilities amounting to ₱8.60 million.*
***Includes interest until maturity*

December 31, 2022

	On-demand	Up to a year	1-3 years	More than 3 years	Total
Financial liabilities:					
Trade and other payables and provisions*	₱–	₱305,467,875	₱–	₱–	₱305,467,875
Customers' deposits	25,821,780	–	–	–	25,821,780
Lease liabilities**	–	12,803,336	42,048,465	16,322,867	71,174,668
	25,821,780	318,271,211	42,048,465	16,322,867	402,464,323

Financial assets:					
Cash on hand and in banks	391,057,227	–	–	–	391,057,227
Cash equivalents**	–	206,451,080	–	–	206,451,080
Trade receivables					
Private	–	685,144,643	–	–	685,144,643
Government	–	7,196,850	–	–	7,196,850
Related party	–	835,912	–	–	835,912
Loans receivable	–	700,000,000	–	–	700,000,000
	391,057,227	1,599,628,485	–	–	1,990,685,712
Excess (deficiency) of financial assets over financial liabilities	₱365,235,447	₱1,281,357,274	(₱42,048,465)	(₱16,322,867)	₱1,588,221,389

**Excludes nonfinancial liabilities amounting to ₱9.70 million.*
***Includes 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, 2023 and 2022. The Group was able to meet its capital management objectives as of December 31, 2023 and 2022.

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

	2023	2022
Capital stock	**₱661,309,398**	₱661,309,398
Capital paid in excess of par	**176,594,308**	176,594,308
Retained earnings:		
Appropriated	**1,000,000,000**	1,000,000,000
Unappropriated	**1,478,730,384**	1,136,421,715
	₱3,316,634,090	₱2,974,325,421

20. **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:

			2023		
	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	**₱8,699,915**	**₱8,699,915**	**₱399,915**	**₱8,300,000**	**₱–**
Unquoted	**28,929,633**	**28,929,633**	**–**	**–**	**28,929,633**
Land at appraised value	**563,000,000**	**563,000,000**	**–**	**–**	**563,000,000**
Assets for which fair values are					

disclosed					
Debt instruments at amortized cost					
Security and rental deposits*	**9,944,234**	**6,225,913**	**–**	**6,225,913**	**–**
Notes receivable	**5,946,153**	**5,868,794**	**–**	**5,868,794**	**–**
	₱616,519,935	**₱612,724,255**	**₱399,915**	**₱20,394,707**	**₱591,929,633**

**Excludes nonfinancial deposits amounting to ₱11.71 million as of December 31, 2023.*

	2022				
	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	₱4,099,915	₱4,099,915	₱399,915	₱3,700,000	₱–
Unquoted	25,692,722	25,692,722	–	–	25,692,722
Land at appraised value	562,978,000	562,978,000	–	–	562,978,000
Assets for which fair values are disclosed					
Debt instruments at amortized cost					
Security and rental deposits*	6,386,326	5,873,627	–	5,873,627	–
Notes receivable	7,858,119	7,633,018	–	7,633,018	–
	₱607,015,082	₱606,277,282	₱399,915	₱17,206,645	₱588,670,722

**Excludes nonfinancial deposits amounting to ₱11.75 million as of December 31, 2022.*

Reconciliation of fair value measurements categorized within Level 3 is disclosed in Notes 8 and 9.

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 2).

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 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, 2023 and 2022 (Level 2).

Unquoted financial assets
The fair value of the investment in unquoted equity instruments as of December 31, 2023 and 2022 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 significant unobservable inputs used in the valuation pertain to the discount for lack of control and lack of marketability. The decrease (increase) in fair value of unquoted financial assets assuming an increase (decrease) in discount for lack of marketability and lack of control of +10% (-10%) amounted to (₱5,821,226) and ₱6,597,390, respectively, as of December 31, 2023 while (₱5,062,575) and ₱5,737,585, respectively, as of December 31, 2022.

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, 2023 and 2022 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 2023, 2022 and 2021.

21. **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 2 years to 10 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. In 2023, there were changes in the lease fixed rental payments.

Set out below are the amounts recognized in the consolidated statements of income.

	2023	2022	2021
Depreciation expense of right-of-use assets	**₱15,682,540**	₱10,562,146	₱9,839,894
Interest expense on lease liabilities	**7,176,403**	3,904,851	2,558,372
Short-term leases included under:			
Operating expenses	**7,815,452**	4,896,543	4,989,693
Cost of goods sold	**213,854**	807,908	476,732
	₱30,888,249	₱20,171,448	₱17,864,691

Total cash outflow for leases amounted to ₱19.12 million in 2023, ₱17.99 million in 2022 and ₱17.30 million in 2021.

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 ₱21.65 million and ₱18.14 million as of December 31, 2023 and 2022, respectively (see Note 10).

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

	2023	2022
Balances at beginning of year	**₱57,097,608**	₱65,481,168
Non-cash changes:		
Modifications	**83,549,449**	–
Interest expense	**7,176,403**	3,904,851
Payments:		
Principal portion	**(11,728,918)**	(8,383,560)
Interest	**(7,176,403)**	(3,904,851)
Balances at end of year	**128,918,139**	57,097,608
Less current portion	**(12,800,223)**	(9,361,045)
Noncurrent portion	**₱116,117,916**	₱47,736,563

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

	2023	2022
Within one year	**₱21,352,580**	₱12,803,336
More than 1 years to 2 years	**21,996,442**	26,520,406
More than 2 years to 3 years	**16,970,505**	15,528,059
More than 3 years to 4 years	**17,619,854**	8,344,608
More than 5 years	**96,750,255**	7,978,259

22. **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	**2023**	**₱351,421,236**	**₱–**	Unsecured,
		2022	408,425,312	–	payable 30 days from date
		2021	87,190,681	–	of bill of lading; to be settled in cash
Tosoh Corporation	Purchases	**2023**	**322,165,110**	–	Unsecured,
		2022	600,489,892	113,186,826	payable 30 days from date
		2021	223,554,686	–	of bill of lading; to be settled in cash
Retirement fund	Investment in MPI	**2023**	**–**	**7,750,000**	Guaranteed dividends
Mabuhay Vinyl Corporation -		2022	–	7,750,000	equivalent to T-Bill Rate
Retirement Fund		2021	–	7,750,000	plus 300 basis points subject to declaration by the MPI's BOD
Entity under common control					
Philippine Resins Industries, Inc.	Sales	**2023**	**5,136,430**	**330,174**	Unsecured; 30 days; non-
		2022	6,144,118	835,912	interest-bearing
		2021	4,063,207	401,375	
	Loans receivable	**2023**	**(100,000,000)**	**600,000,000**	Interest-bearing; to be settled in cash
		2022	–	700,000,000	
		2021	300,000,000	700,000,000	
	Interest income	**2023**	**₱35,412,864**	**₱5,542,300**	To be settled in cash
		2022	15,686,729	1,649,569	
		2021	8,060,082	1,596,314	

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 lease agreement with MPI which was renewed starting January 1, 2020. The lease is for three years and will automatically renew thereafter unless terminated by both parties (see Note 21). On January 1, 2023, the lease was renewed for another three years or until December 31, 2025.

The Company also granted noninterest-bearing advances to MPI amounting to ₱1.50 million in 2023, ₱1.42 million in 2022 and ₱1.95 million in 2021 to finance MPI's working capital requirements. These advances were partially offset against the rental due to MPI amounting to ₱24.37 million in 2021. In 2022, the Company paid the advances due to MVC amounting to ₱2.54 million. Outstanding balances from these transactions amounted to ₱1.87 million and ₱0.37 million as of December 31, 2023 and 2022, respectively.

The above intercompany transactions were eliminated upon consolidation.

d. Mabuhay Vinyl Corporation - Retirement Fund

As of December 31, 2023 and 2022, 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 ₱0.72 million and ₱0.36 million as of December 31, 2023 and 2022, 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 and November 23, 2020, the Company entered into a loan agreement with PRII amounting to ₱240.00 million and ₱160.00 million, respectively, for a period of six months.

On August 18, 2021, the Company entered into an additional loan agreement with PRII amounting to ₱300.00 million for a period of six months or until February 14, 2022, which may be extended upon mutual agreement of both parties.

The loans are 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.

The loans have been extended several times and will mature on August 3, 2024.
Rollforward of the Company's loans receivable are as follows:

	2023	2022
Balances at beginning of year	**₱700,000,000**	₱700,000,000
Collection	**(100,000,000)**	–
Balances at end of year	**₱600,000,000**	₱700,000,000

f. The compensation of key management personnel follows:

	2023	2022	2021
Short-term employee benefits	**₱9,882,791**	₱9,027,717	₱8,180,307
Retirement benefits (Note 17)	**2,076,489**	594,603	760,663
	₱11,959,280	₱9,622,320	₱8,940,970

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.

23. Basic/Diluted Earnings Per Share

	2023	2022	2021
Net income attributable to the equity holders of the Company (a)	**₱408,439,609**	₱399,068,571	₱275,871,248
Weighted average number of shares outstanding (Note 12) (b)	**661,309,398**	661,309,398	661,309,398
Basic/Diluted earnings per share (a/b)	**₱0.618**	₱0.603	₱0.417

24. Commitments, Provisions and Contingencies

a. Unused Credit Lines

As of December 31, 2023, and 2022, the Group has unused credit lines amounting to ₱946.57 million and ₱948.72 million, respectively.

b. Provisions

Provision for probable loss 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 any legal proceedings. 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.

Movement of provisions are as follows:

	2023	2022	2021
Beginning balances	**₱11,000,000**	₱20,000,000	₱9,000,000
Additions	**14,000,000**	–	11,000,000
Payments	**(3,500,000)**	(9,000,000)	–
Ending balances	**₱21,500,000**	₱11,000,000	₱20,000,000

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.

25. Summarized Financial Information of MPI

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

	2023	2022	2021
Total current assets	**₱110,218,252**	₱87,392,571	₱70,867,688
Total noncurrent assets	**153,945,450**	153,945,450	153,945,450
Total current liabilities	**4,393,531**	2,835,760	4,495,535
Total equity	**259,770,171**	238,502,261	220,317,603
Total equity attributable to noncontrolling interest	**8,621,882**	8,705,016	8,345,021
Rental income	**25,590,943**	24,372,321	24,372,321
Net income /total comprehensive income	**21,993,653**	18,184,658	16,930,247
Net income/total comprehensive income attributable to noncontrolling interest	**638,709**	359,995	361,848
Cash dividends declared and paid	**(721,843)**	–	(2,156,826)
Net cash flows from operating activities	**18,388,053**	24,452,539	18,772,081
Net cash flows from investing activities	**(89,501,600)**	1,435,569	242,965
Net cash flows used in financing activities	**(721,843)**	(2,538,975)	(2,156,826)

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.

26. 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, 2023, 2022 and 2021 are the same as reported elsewhere in the consolidated financial statements.

Segment information for this reportable business segment is shown in the following table:

	2023	2022	2021
		Amounts in millions	
Revenue	**₱3,074**	₱3,201	₱2,187
Net income	**409**	399	276
Total assets	**4,334**	3,956	3,452
Total liabilities	**603**	569	418
Interest income	**47**	20	12
Income taxes	**136**	134	94
Depreciation and amortization	**106**	94	97
Capital expenditures	**412**	395	170

Revenue from contracts with customers are all coming from Philippines based on the locations of the customers. The noncurrent operating assets of the Group are also located in the Philippines. The Group does not have any customer that accounts for more than 10% of its total revenue.

27. Notes to Consolidated Statements of Cash Flows

The non-cash investing and financing activities follow:

	2023	2022	2021
Investing activities:			
Addition to right-of-use assets	**(₱83,549,449)**	₱–	(₱49,598,950)
Changes in fair value of equity instruments designated at FVOCI	**7,836,911**	5,176,816	1,782,889
Financing activities:			
Accretion of lease liabilities	**(7,176,402)**	(3,904,851)	(2,558,372)

UN GLOBAL COMPACT INITIATIVES

2023 Communications on Progress Report

As one of the pioneer signatories in the Philippines and supporter of the UN Global Compact principles, Mabuhay Vinyl Corporation (MVC) continues to uphold its commitment to support initiatives of the UN Global Compact.

Mr. Steve S.C. Pangilinan, MVC President and Chief Operating Officer, reiterates the Company's support to further strengthen the UN Global principles through the Company's various programs and activities, as contained in the following Progress Reports / Updates for 2023:

Principles	Policies, Actions and Performance Indicators
HUMAN RIGHTS **Principle 1:** Support and respect the protection of International Human Rights within MVC's sphere of influence	***In keeping with this principle, the following activities were undertaken:*** • Feeding program during literacy sessions for Alternative Learning System (ALS) / DepEd Learners at Brgy. Kalilangan, Iligan City • Donation of caustic soda sample for laboratory use of Grade 9 students of St. Therese Academy, Iligan City • Donation of assorted bond papers to be used as blended learning materials in Cesar M. Cabahug Elementary School in Looc, Mandaue City, Cebu • Donation of Sodium Hypochlorite to Mindanao State University students for their thesis study • Construction of Alternative Learning System (ALS) Building at Mimbalot Elementary School, Iligan City • Ready for School Activity in San Joaquin Elementary School, Pasig City in partnership with PBSP where employee-volunteer covered 200 school books • Donation of thirteen (13) assorted electric fans to Enriqueta Montilla De Esteban Memorial High School at Pulupandan, Negros Oriental • Distribution of school supplies and school uniforms to fourteen (14) MVC scholars in elementary and high school students from Purok 1&2 Tonggo and Purok 13 Timoga, Iligan
Principle 2: Make sure MVC is not complicit in human rights abuses	• Theater Workshop of 40 kids from Purok 1 & 2 of Tonggo and Purok 13 of Timoga • Cited with recognition during the Kaamulan Awards from the Division of Iligan City, Department of Education for MVC's collaboration and unwavering commitment to education and for being instrumental in fostering positive change in the learning environment • Donation of multivitamins and medicines (cough, colds and fever) for adults and children to Barangay San Miguel Health Center in Bauan, Batangas in lieu of the face-to-face medical mission activity • Medical & dental mission and haircutting activity for Purok 1 & 2, Tonggo, Iligan City in partnership with Adventist Medical Center and 554th Engineer Battalion • Quarterly Mobile Blood Donation and recognized as an awardee during the Sandugo Awards of the Department of Health for the continuous support and promotion of voluntary blood donation drive • Cited with highest number of Mobile Blood Donation organized and awarded as the Bloodiest Company by Philippine Red Cross Iligan City Chapter in recognition of MVC's support organizing regular mass blood donation • Donation of two carbouys of 5% Sodium Hypochlorite to Little Sisters of Abandoned Elderly to be used for their day-to-day cleaning of facility • Distribution of Gift items to the 554th Engineer Brigade for their Christmas Party • Provision of Snack items for Purok 1 & 2 during the celebration of Tonggo fiesta novena • Distribution of Gift packs to 300 indigent kids from Barangay Buru-un, Brgy. Ma. Cristina. Brgy. Ditucalan, and Brgy. Suarez in cooperation with Iligan City Police Station 2's Pamaskong Handog Program • Provision of Food packs for the Iligan City Urban Poor Leaders gathering • Donation of Cash and streamers to Purok 13, Timoga for the "Christ the King" annual fiesta celebration • Provision of snacks to PWDs at Iligan City Public Plaza during the PWD national event • Major sponsorship package for the Tourism Week 2023 celebration of Brgy. Ma. Cristina

	• Donation of Food packs and water to Iligan City National High School of Fisheries (ICNSF) for "Kasikas sa Kadalanan" (street dancing) • Donation of Long sleeves and portable flashlights to Purok 13 Timoga "Bantay Purok" • Sponsorship for t-shirts, snacks, and venue during the 2nd MVC Alumni get-together Cash donation to the following: o Bancathon contest of Brgy. Ma. Cristina o Holy Spirit Shrine (Spiritan Church) in Pindugangan for the Feast of the Pentecost o Carolers from Sto. Rosario Himig Musika
LABOR **Principle 3:** Uphold the freedom of association and the effective recognition of the right to collective bargaining	• Through the Industrial Peace Council and the Plant Central Safety Council in Iligan and the Council of Solidarity (COS) in Makati, MVC management and employees continually address issues and concerns, and collaborate in forging solutions on health and over-all plant safety concerns, employee and family welfare, solutions to work problems, and means towards process improvements. • Employee complaints and grievances are addressed via the Company's established Grievance Machinery Procedures and bound by the Company's Handbook on Discipline. • MVC supports the active participation of Union Officers in various labor-related organizations and activities such as DOLE, TIPC, LMC-VAA, Inc., FFWC, NCMB programs, etc
Principle 4: Elimination of all forms of forced and compulsory labor	• Participated in the DOLE Assessment/ Compliance Audit. No Violation on General Labor Standards was given to MVC per Notice of Results.
Principle 5: Effective abolition of child labor	• Reinforced the policy and procedures on Recruitment and Placement with regard to child labor. • MVC regularly inspects and ensures that contractors and suppliers do not engage in forced labor and hiring of minors.
Principle 6: Elimination of discrimination in respect of employment and occupation	• MVC ensures that individuals are not being discriminated nor treated any less favorably because of a 'protected characteristic':- age, disability, marital or civil partner status, pregnancy or maternity, race, (including color, nationality and ethnic or national origins) religion or belief, gender or sexual orientation. • Job opportunities are circulated as widely as reasonably possible and recruitment advertisements do not use wording that implies a preference against any one of the above-mentioned protected characteristics. • Health Talk and Awareness Information Drive on HIV/AIDS, Pulmonary Tuberculosis, Hepatitis B, Mental Health and Lifestyle diseases were conducted with emphasis on non-discrimination policy in the workplace.
ENVIRONMENT **Principle 7:** Support a precautionary approach to environmental challenges	• Planting 400 seedlings of Narra and Batino at the vicinity of Ipo Dam Watershed in partnership with Maynilad Water Services Inc. • Coastal clean-up at Purok 11, 12 & 13 Buru-un Iligan as part of the International Coastal Clean Up drive • Donation of used drums for hazardous waste temporary storage to Gregorio T. Lluch Memorial Hospital • Donation of used HDPE drums to the following: o Iligan City Police Office (ICPO) to be used as fuel, oil, and lubricant containers o Girl Scouts of the Philippines (GSP) for water storage during the 21st citywide encampment o TESDA Iligan to be used as fertilizer, concoction, and extract container for their organic farming o Lanao del Norte Police Provincial Office, BJMP Region 10, Iligan City Traffic and Management Office, 55th Engineer Brigade and Iligan City Agriculturist Office to be used as water container • Donation of used carbouys for urban gardening at Ditucalan Elementary School in Iligan City • Donation of used blue plastic drums to Lanao Del Norte Police Provincial Office • Donation of scrap metals to 554th Engineering Battalion for the construction of railings for their new building
Principle 8: Undertake initiatives to promote greater environmental responsibility	• The Iligan Plant and Mabuhay Premium Bleach Plant's (MPBP) Environmental Management System were certified as compliant to ISO 14001:2015 by TUV-SUD as well as the issuance of certificates were recommended by TUV-SUD for the Corporate Quality Management System and Iligan Plant's Occupational Safety and Health Management Systems.
Principle 9: Encourage the development and diffusion of environmentally friendly technology	• Implements environmentally-aligned programs such as a No Plastic Policy Program in the canteen. • "Lakbay Linis "(Company-wide Clean-up Campaign) was sustained every quarter as part of MVC's Good Housekeeping (GH) program to promote environmental responsibility among employees and contractors. The program included GH & safety audits in all plant areas.
ANTI-CORRUPTION **Principle 10:** Work against corruption in all its forms, including extortion and bribery	• MVC's Code of Business Conduct provides that every employee is expected to faithfully comply with and perform his tasks and shall not allow himself to be placed in a situation that will cast doubt upon his loyalty to the company or invite any opportunity to compromise his fidelity. • Contracts and Purchase Orders entered into by MVC contain a provision on anti-corruption. Suppliers and contractors warrant that no consideration or compensation was offered to any MVC employee, nor did he/she exert any corrupt or unlawful influence to secure the purchase order or contract; and that he/she will comply with government laws and regulations in the conduct of business.

MVC BOARD OF DIRECTORS

YOHEI CHIKAMOTO*
President
Philippine Resins Industries, Inc.
Mezzanine Floor
Citibank Tower
8741 Paseo de Roxas
Makati City

RAMON J. ABEJUELA
Financial Consultant

YASUHIRO FUKUKI
Division Head
Petroleum, Chemicals & Industrial Materials Division
Manila Branch
Mitsubishi Corporation
Locsin Bldg., Ayala Ave. cor. Makati Ave., Makati City

TAKAHIRO MACHIBA**
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SATOSHI MARUYAMA
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Corporate Strategy
Tosoh Corporation
Tokyo, Japan

BARBARA ANNE C. MIGALLOS
Managing Partner
Migallos Luna Law Offices

STEVE S.C. PANGILINAN
President & Chief Operating Officer
Mabuhay Vinyl Corporation
The Salcedo Towers,
H.V. Dela Costa St., Salcedo Village
Makati City

FRANCISCO J. KONG
Entrepreneur – Business Consultant – Columnist – Book Author – Broadcaster

* Effective June 23, 2023
** Resigned June 23, 2023

MEMBERS OF VARIOUS COMMITTEES

a) Executive Committee

Yohei Chikamoto – Chairman
Yasuhiro Fukuki
Steve S.C. Pangilinan

b) Audit Committee

Ramon J. Abejuela – Chairman (Independent Director)
Francisco J. Kong (Independent Director)
Yohei Chikamoto
Barbara Anne C. Migallos

c) Executive Compensation Committee

Yohei Chikamoto – Chairman
Ramon J. Abejuela (Independent Director)
Yasuhiro Fukuki

d) Nominations Committee

Francisco Kong – Chairman (Independent Director)
Yohei Chikamoto
Barbara Anne C. Migallos

MVC OFFICERS

Yohei Chikamoto
Chairman & Chief Executive Officer

Steve S.C. Pangilinan
President & Chief Operating Officer

Michael S. Yu
Treasurer/VP-Corporate Planning

Romeo G. Dela Cruz
VP-Marketing

Atsushi Utsunomiya
VP-Finance

Mark Francis D. Basan
AVP-Manufacturing

Maria Melva E. Valdez
Corporate Secretary

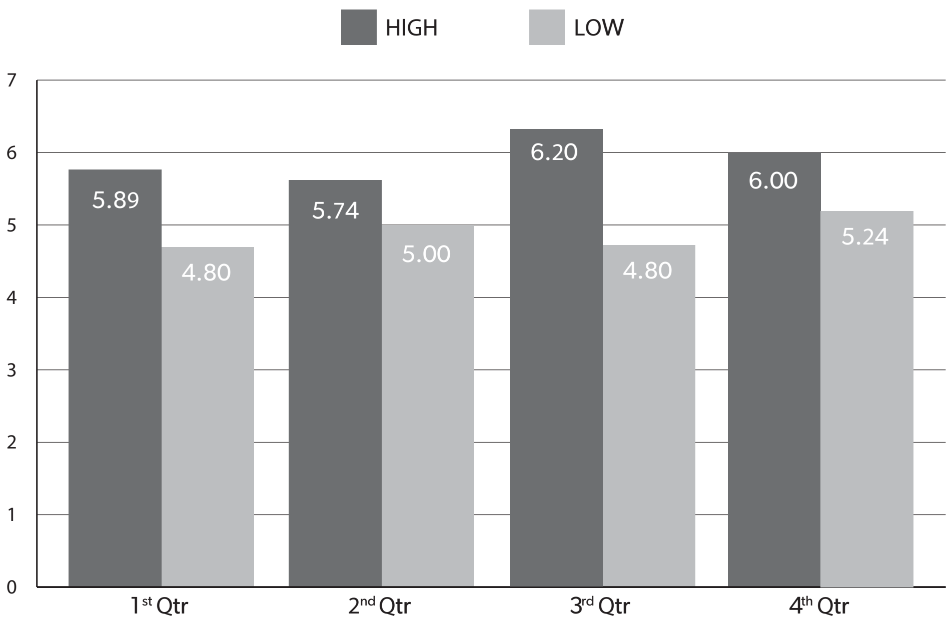
Pamela Ann T. Cayabyab
Assistant Corporate Secretary

INVESTOR INFORMATION

MARKET PRICE PER SHARE

661,309,398

Shares issued & outstanding



CORPORATE HEAD OFFICE
22F The Salcedo Towers
169 H. V. Dela Costa St., Salcedo Village, Barangay Bel-air, Makati City, Philippines
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Fax Nos. (632) 8816 4785

COMMON STOCK
The Company's authorized capital stock is composed of 1,072,942,532 common shares with a par value of One Peso (P1.00) each.

STOCKHOLDERS' MEETING
The 2024 Stockholders' Meeting will be held on April 25, 2024, 3:00 p.m. via virtual meeting.

STOCKHOLDER SERVICE AND ASSISTANCE
For inquiries regarding dividend payments, account status, lost or damaged stock certificates and change of address, please write or call the Company's Stock Transfer agent.

BANCO DE ORO	**SEC FORM 17-A REPORT**
Stock Transfer Department 14th Floor BDO Towers Valero 8741 Paseo De Roxas 1226 Makati City, Philippines Tel +63(2) 8878 4052 Tel +63(2) 8878 4964 Fax +63(2) 8878 4056 BDO Trunkline +63(2) 8840 7000	The Financial Information in this report, in the opinion of the management, substantially conforms with the information required in the "17-A Report" submitted to the Securities and Exchange Commission. Copies of this report may be obtained upon request from the Corporate Secretary.

Banks
Banco de Oro Unibank, Inc.
Bank of the Philippine Islands
Mizuho Corporate Bank, Ltd. Manila Branch
MUFG Bank, Ltd. Manila Branch

External Auditor
SyCip Gorres Velayo & Co.

Trustee
Banco de Oro Unibank, Inc.

Legal Consultant
Bello, Valdez & Esguerra
Padilla Law Office

Directory
Corporate Head Office
22F The Salcedo Towers
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109 Commerce Road, Laguna Technopark, Inc. (LTI)
Bgy. Malamig, Biñan, Laguna Philippines

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BBTI Compound Bgy. San Miguel, Bauan, Batangas
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Fax No. : (043) 980 5870

Cebu Depot
Ouano Reclamation Area, Mandaue City, Cebu
Tel. No. : (032) 345 0693
Fax No. : (032) 346 0566

Davao Depot
Pacific Oil Farmers, Inc. Compound
Km. 23, Bunawan, Davao City
Tel. No. : (082) 236 0015

Negros Depot
Pulupandan, Negros Occidental

MABUHAY VINYL CORPORATION

1965