

SEC Number : PW00000216  
File Number : \_\_\_\_

**MABUHAY VINYL CORPORATION**

22F The Salcedo Towers 169 H.V. Dela Costa St.  
Salcedo Village, Makati City

8817-8971 to 76  
(Telephone Numbers)

8816-4785 / 8894-5325  
(Fax Numbers)

**01 January to September 30**  
(Calendar Quarter Ending)

**2024 Quarterly Report (SEC Form 17-Q)**  
(Form Type)

**For The Quarter Ended September 30, 2024**  
(Period Ended Date)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC Form 17-Q**

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

1. For the quarterly period ended **September 30, 2024**

2. Commission Identification Number **PW00000216**

3. BIR Tax Identification Number **000-164-009-00000**

4. Exact name of issuer as specified in its charter **MABUHAY VINYL CORPORATION**

5. Province or country of incorporation **Philippines**

6. Industry Classification Code (for SEC use only)

7. Address of issuer's principal office **22F The Salcedo Towers  
169 H.V. Dela Costa St., Salcedo Village  
Makati City**

8. Issuer's telephone Number **(632) 8817-8971 to 76**

9. Former name, former address and former fiscal year **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<i>Title of Each Class:</i>	<i>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding:</i>
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<b>Common Shares</b>	<b>661,309,398 shares as of September 30, 2024</b>
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11. Are any or all of the securities listed in the Philippine Stock Exchange?

Yes	( / )	No	( )
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12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports).

Yes	( / )	No	( )
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b) has been subject to such filing requirements for the past ninety (90) days

Yes	( / )	No	( )
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PART I - FINANCIAL INFORMATION

ITEM I - FINANCIAL STATEMENTS

1. Balance Sheet

COMPARATIVE BALANCE SHEET (In P000)

As of September 30, 2024 and 2023

(Note: Dec. 31, 2023 and Dec. 31, 2022 are based on audited figures)

	Current YEAR			Prior YEAR		
	30-Sep 2024	31-Dec 2023	Diff	30-Sep 2023	31-Dec 2022	Diff
<b>Current Assets</b>						
Cash and cash equivalents	1,269,525	680,074	589,451	788,277	596,602	191,675
Short-term investments	-	93,866	(93,866)	-	-	-
Accounts receivable - net	750,211	727,693	22,518	688,881	701,362	(12,481)
Loan receivable	100,000	600,000	(500,000)	600,000	700,000	(100,000)
Inventory - Finished goods	190,712	100,430	90,282	179,393	290,716	(111,323)
- Work in process	11,410	10,285	1,125	11,987	15,655	(3,668)
- Raw materials and supplies	85,730	109,635	(23,905)	101,220	118,794	(17,574)
Other current assets	209,139	154,882	54,257	146,926	64,506	82,420
<b>Total Current Assets</b>	<b>2,616,727</b>	<b>2,476,865</b>	<b>139,862</b>	<b>2,516,684</b>	<b>2,487,635</b>	<b>29,049</b>
<b>Noncurrent Assets</b>						
Equity instruments designated at fair value through other comprehensive income	37,630	37,630	-	29,793	29,793	-
Property, plant and equipment - net	1,070,551	983,063	87,488	891,867	615,038	276,829
Land at appraised value	563,000	563,000	-	562,978	562,978	-
Investment properties of a subsidiary	37,800	-	37,800	-	-	-
Net retirement benefits asset	2,275	-	2,275	20,781	10,685	10,096
Other noncurrent assets	234,421	273,214	(38,793)	177,041	249,679	(72,638)
<b>Total Noncurrent Assets</b>	<b>1,945,677</b>	<b>1,856,907</b>	<b>88,770</b>	<b>1,682,460</b>	<b>1,468,173</b>	<b>214,287</b>
<b>TOTAL ASSETS</b>	<b>4,562,404</b>	<b>4,333,772</b>	<b>228,632</b>	<b>4,199,144</b>	<b>3,955,808</b>	<b>243,336</b>
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	311,972	299,717	12,255	260,717	315,166	(54,449)
Customers deposit	26,126	26,438	(312)	26,408	25,822	586
Income tax payable	33,689	19,105	14,584	40,893	37,655	3,238
Current portion of lease liabilities	13,771	12,800	971	10,029	9,361	668
<b>Total Current Liabilities</b>	<b>385,558</b>	<b>358,060</b>	<b>27,498</b>	<b>338,047</b>	<b>388,004</b>	<b>(49,957)</b>
<b>Noncurrent Liabilities</b>						
Lease liability - net of current portion	105,641	116,118	(10,477)	40,126	47,737	(7,611)
Retirement benefits payable	-	5,735	(5,735)	-	-	-
Deferred tax liability	121,771	121,771	-	131,054	131,054	-
Asset retirement obligation	1,794	1,794	-	1,794	1,794	-
<b>Total Noncurrent Liabilities</b>	<b>229,206</b>	<b>245,418</b>	<b>(16,212)</b>	<b>172,974</b>	<b>180,585</b>	<b>(7,611)</b>
<b>Stockholders' Equity</b>						
Common stock	661,309	661,309	-	661,309	661,309	-
Additional paid-in capital	176,594	176,594	-	176,594	176,594	-
Appraisal capital	412,120	412,120	-	412,104	412,104	-
Reserve for fluctuation in investments in equity instrument	4,630	4,630	-	(3,207)	(3,207)	-
Remeasurement gains (losses) on retirement benefits	(11,711)	(11,711)	-	(4,708)	(4,708)	-
Retained earnings, Unappropriated	1,696,201	1,478,730	217,471	1,437,568	1,136,422	301,146
Retained earnings, Appropriated	1,000,000	1,000,000	-	1,000,000	1,000,000	-
Noncontrolling interest	8,497	8,622	(125)	8,463	8,705	(242)
<b>Total Stockholders' Equity</b>	<b>3,947,640</b>	<b>3,730,294</b>	<b>217,346</b>	<b>3,688,123</b>	<b>3,387,219</b>	<b>300,904</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>4,562,404</b>	<b>4,333,772</b>	<b>228,632</b>	<b>4,199,144</b>	<b>3,955,808</b>	<b>243,336</b>

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (In P000)**  
**FOR THE QUARTER ENDED September 30, 2024 and 2023**  
**(Note: Dec. 31, 2023 and Dec. 31, 2022 are based on audited figures)**

	Capital Stock	Capital Paid In Excess Par	Revaluation Increment	Reserve investments in equity instruments	Remeasurement G/L on retirement	Retained Earnings Unappropriated	Retained Earnings Appropriated	Noncontrolling Interest	Total Stock. Equity
<b>JANUARY TO SEPTEMBER 2024</b>									
Balances, December 31, 2023	661,309	176,594	412,120	4,630	(11,711)	1,478,730	1,000,000	8,622	3,730,294
Net Income, January to September 2024	-	-	-	-	-	283,602	-	514	284,116
Other comprehensive income	-	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(66,131)	-	(639)	(66,770)
Retirement of treasury shares	-	-	-	-	-	-	-	-	-
Increase in Retained Earnings, Appropriated	-	-	-	-	-	-	-	-	-
Prior's years adjustment	-	-	-	-	-	-	-	-	-
<b>Balances, September 30, 2024</b>	<b>661,309</b>	<b>176,594</b>	<b>412,120</b>	<b>4,630</b>	<b>(11,711)</b>	<b>1,696,201</b>	<b>1,000,000</b>	<b>8,497</b>	<b>3,947,640</b>

	Capital Stock	Capital Paid In Excess Par	Revaluation Increment	Reserve investments in equity instruments	Remeasurement G/L on retirement	Retained Earnings Unappropriated	Retained Earnings Appropriated	Noncontrolling Interest	Total Stock. Equity
<b>JANUARY TO SEPTEMBER 2023</b>									
Balances, December 31, 2022	661,309	176,594	412,104	(3,207)	(4,708)	1,136,422	1,000,000	8,705	3,387,219
Net Income, January to September 2023	-	-	-	-	-	367,277	-	480	367,757
Other comprehensive income	-	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(66,131)	-	(722)	(66,853)
Retirement of treasury shares	-	-	-	-	-	-	-	-	-
Increase in Retained Earnings, Appropriated	-	-	-	-	-	-	-	-	-
Prior's years adjustment	-	-	-	-	-	-	-	-	-
<b>Balances, September 30, 2023</b>	<b>661,309</b>	<b>176,594</b>	<b>412,104</b>	<b>(3,207)</b>	<b>(4,708)</b>	<b>1,437,568</b>	<b>1,000,000</b>	<b>8,463</b>	<b>3,688,123</b>

### 3. Profit and Loss Statement

**COMPARATIVE PROFIT AND LOSS STATEMENT (In P000)**  
For The Third Quarter and Nine Months Ending September 30, 2024, 2023 and 2022

	3rd Quarter			YTD - January to September		
	2024	2023	Dif.	2024	2023	Dif.
<b>REVENUE</b>	790,191	743,777	46,414	2,282,734	2,312,228	(29,494)
Less: Cost Of Sales	504,857	419,667	85,190	1,449,946	1,374,809	75,137
<b>GROSS PROFIT</b>	285,334	324,110	(38,776)	832,788	937,419	(104,631)
Less: Administrative Expenses	28,315	25,829	2,486	83,751	76,125	7,626
Selling Expenses	5,595	5,592	3	15,707	15,372	335
Distribution Expenses	156,350	142,445	13,905	431,417	400,674	30,743
Total Operating Expenses	190,260	173,866	16,394	530,875	492,171	38,704
<b>NET OPERATING INCOME</b>	95,074	150,244	(55,170)	301,913	445,248	(143,335)
Add : Interest and Other Income	42,859	14,116	28,743	83,551	48,357	35,194
Less: Interest Expense and Other Expenses	2,195	959	1,236	6,687	2,966	3,721
<b>NET INCOME BEFORE TAX</b>	135,738	163,401	(27,663)	378,777	490,639	(111,862)
Less: Provision For Income Tax	34,561	41,018	(6,457)	94,661	122,882	(28,221)
<b>Income From Continuing Operations</b>	101,177	122,383	(21,206)	284,116	367,757	(83,641)
Income attributable to noncontrolling interest	171	160	11	514	480	34
<b>Income attributable to equity holders of the Company</b>	101,006	122,223	(21,217)	283,602	367,277	(83,675)
<b>RETAINED EARNINGS</b>						
Beginning balance, Unappropriated	1,595,195	1,315,345	279,850	1,478,730	1,136,422	342,308
Beginning balance, Appropriated	1,000,000	1,000,000	-	1,000,000	1,000,000	-
Less: Cash Dividend	-	-	-	(66,131)	(66,131)	-
<b>RETAINED EARNINGS - Ending</b>	<b>2,696,201</b>	<b>2,437,568</b>	<b>258,633</b>	<b>2,696,201</b>	<b>2,437,568</b>	<b>258,633</b>

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	3rd Quarter			3rd Quarter		
	2024	2023	Dif.	2023	2022	Dif.
<b>a. Earnings per share</b>						
(Net income(loss) / 661,309,398 outstanding shares) - 2024	0.1530	0.1851	(0.0321)			
(Net income(loss) / 661,309,398 outstanding shares) - 2023				0.1851	0.1405	0.0445
<b>b. Dividends declared per share</b>	-	-	-	-	-	-

#### 4. Statement of Cash Flows

**MABUHAY VINYL CORPORATION**  
**COMPARATIVE CASHFLOW STATEMENT (In P000)**  
**For the Quarter ending September 30, 2024 and 2023**

	Jan-Sept 2024	Jan-Sept 2023	Diff
<b>Cash Flows From Operating Activities:</b>			
Net Income - from continuing operations	378,777	367,757	11,020
Adjustments for: Depreciation and amortization	87,574	64,550	23,024
Loss (gain) on retirement of asset	-	-	-
<b>(Increase) Decrease In:</b>			
Accounts receivable	(22,518)	12,481	(34,999)
Finished goods	(90,282)	111,323	(201,605)
Work in process	(1,125)	3,668	(4,793)
Raw materials and supplies	23,905	17,574	6,331
Other current assets	(54,257)	(82,420)	28,163
Net retirement benefits asset	-	(10,096)	10,096
Deposits and other assets	38,793	72,638	(33,845)
<b>Increase (Decrease) In:</b>			
Accounts payable and accrued expenses	12,255	68,434	(56,179)
Customers' deposit payable	(312)	586	(898)
Retirement benefits payable / Net retirement plan asset	(8,010)	-	(8,010)
<b>Cash Provided By (Used In) Operations</b>	<b>364,800</b>	<b>626,495</b>	<b>(261,695)</b>
Tax payments	(80,077)	(119,645)	39,568
<b>Net Cash Flows Generated From Operations</b>	<b>284,723</b>	<b>506,850</b>	<b>(222,127)</b>
<b>Cash Flows From Investing Activities:</b>			
Collection of loan receivable	500,000	100,000	400,000
Addition to short-term investments	93,866	-	93,866
Acquisition of property, plant and equipment	(175,062)	(341,379)	166,317
Proceeds from sale of equipment	-	-	-
Investment properties of a subsidiary	(37,800)	-	(37,800)
<b>Net Cash Used In Investing Activities</b>	<b>381,004</b>	<b>(241,379)</b>	<b>622,383</b>
<b>Cash Flows From Financing Activities:</b>			
Payment of principal portion of lease liabilities	(9,506)	(6,943)	(2,563)
Payment of cash dividend	(66,770)	(66,853)	83
<b>Net Cash Used In Financing Activities</b>	<b>(76,276)</b>	<b>(73,796)</b>	<b>(2,480)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>589,451</b>	<b>191,675</b>	<b>397,776</b>
<b>ADD: CASH AND CASH EQUIVALENTS</b>	<b>680,074</b>	<b>596,602</b>	<b>83,472</b>
<b>CASH AND CASH EQUIVALENT - ENDING</b>	<b>1,269,525</b>	<b>788,277</b>	<b>481,248</b>

## 5. Disclosure Of Events Subsequent To Fiscal Year December 31, 2023 (January 1, 2024 to September 30, 2024)

07 February 2024	Setting of the Annual Stockholders' Meeting (ASM) Date and Fixing of Record Date, and Approval for 2024 ASM to be held via Remote Communication;  Approval of extension of terms of the existing loan receivables to PRII amounting to Six Hundred Million Pesos for a period of not more than one hundred eighty (180) days from 04 February 2024 (original date) to 03 August 2024
28 February 2024	Board approval of appointment of external auditor for Y2024-2025  Board approval of 2023 Audited Financial Statements (AFS) for the period ended 31 December 2023 and its release/issuance and printing
18 April 2024	Advisement Report on Material Related Party Transaction
25 April 2024	Declaration of Cash Dividend Approval of Revised Shareholders' Agreement between MVC and MVC Retirement Fund
25 April 2024 ASM	Election of Directors FY 2024-2025  Ratification of Acts and Proceedings of the Board of Directors, Officers and Management from 27 April 2023 up to 25 April 2024  Approval of Y2023 Annual Report and Audited Financial Statements  Confirmation of Revised Shareholders' Agreement between MVC and MVC Retirement Fund  Appointment of External Auditor FY2024-2025
25 April 2024 Organizational Meeting	Election of Officers/Committee Members FY2024-2025
15 May 2024	Approval of SEC Form 17-Q for the period ended 31 March 2024
21 June 2024	Resignation of Mr. Satoshi Maruyama as Director, effective 21 June 2024  Election of Mr. Kazuya Nishisaka as Director to replace Mr. Satoshi Maruyama effective 21 June 2024
18 July 2024	Reduction of the existing loan receivables from PRII from Six Hundred Million Pesos to One Hundred Million Pesos and approval of extension of the term of the loan granted to PRII for a period of not more than one hundred eighty (180) days, from 03 August 2024 (original due date) until 30 January 2025.
14 August 2024	Approval of SEC Form 17-Q for the period ended 30 June 2024
15 August 2024	Resignation of Mr. Yasuhiro Fukuki as Director, Member of the Executive Committee and Member of the Executive Compensation Committee, effective 16 August 2024  Election of Mr. Hiroyuki Kobayashi as Director, Member of the Executive Committee and Member of the Executive Compensation Committee to replace Mr. Yasuhiro Fukuki, effective 16 August 2024

## 6. Disclosure Of Compliance With Philippine Financial Reporting Standards

The interim financial statement was prepared in accordance with Philippine Financial Reporting Standards (PFRS), particularly the pronouncements of recognized bodies such as the Philippine Stock and Exchange Commission, Accounting Standards Council, and International Standards Committee.

## 7. Notes To The Interim Financial Statements

- a. The same accounting policies and methods of computation are followed as with the annual financial statements as of 31 December 2023.
- b. The interim operation is under normal business condition and is unaffected by any seasonal or cyclical nature.
- c. Significant items in the financial statements (as of September 30, 2024):

<b>Accounts receivable - net</b>	- P750.21M represents claim from customers for products sold with credit terms of 30 to 90 days. Included in the account are non-trade receivable of P18.97M.
<b>Loan receivable</b>	- P100M represents loan receivable granted to Philippine Resins Industries, Inc. (PRII), an entity under common control. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year. The loan is collectible within the period of six months, which may be extended upon mutual agreement of both parties.
<b>Property, Plant &amp; Equipment - net</b>	- P1.07B consists of buildings, machinery and equipment, transportation equipment, leasehold improvements, office furniture and equipment, right-of-use assets, and construction in progress.
<b>Accounts payable and Accrued exp.</b>	- P311.97M includes liabilities to suppliers related to the expansion project and accruals made for expenses related to shipping and delivery during the period.

- d. There are no changes in estimates of amounts reported in the prior interim period or prior financial year that have a material effect in the current interim period.
- e. There is no segment revenue and segment result to be reported. The Company is primarily engaged in its continuing core business operations of manufacturing and selling chemicals.
- f. There are no known trends, events or uncertainties that have material impact on liquidity.



- g. The financial instruments of the Company as of 30 September 2024 are limited to loans and receivables which includes cash in bank and cash equivalents, loan receivable, trade and other receivables, and security and rental deposits, financial assets designated at fair value through other comprehensive income consisting of quoted and unquoted equity instruments, and other liabilities comprised of trade and other payables, and customer deposits.

The quoted equity instruments represent investments in preferred redeemable non-convertible non-voting shares and golf shares. Unquoted equity instruments is comprised of 7.75% of the authorized capital stock of Tosoh Polyvin Corporation. It is the intention of the Company to hold on to these until they are redeemed.

Equity Instruments Designated at Fair Value Through OCI

	September 30 2024	December 31 2023	Diff.
Quoted equity instruments:			
Capital Stock	5.000	5.000	-
Golf Shares	3.700	3.700	-
Unquoted equity instruments:	28.930	28.930	-
Total	37.630	37.630	-

- h. Additional Notes to the Consolidated Financial Statements is hereto attached as "**ANNEX B**".

Financial Risk:

1. Interest Rate Risk

The Company has minimal interest rate risk. Outstanding loans, if any, have maturity of less than 180 days bearing interest rates that are projected to remain stable until its maturity.

2. Foreign Currency Risk

Exposure of the Company to foreign currency risk arises from importation of finished goods, raw materials and spare parts. Its purchases are subject to an open account with foreign suppliers and are settled immediately (within 30 days) through purchase of dollars from a local bank at spot rate once all documentation requirements are complete. The Group manages this exposure by matching its receipts and payments for each individual currency.

3. Credit Risk

The Company has the policy to require customers, who wish to trade on credit terms, to comply and undergo the credit verification process. This process emphasizes on the customer's capacity, character and willingness to pay.

Receivables are also closely monitored to ensure that changes in credit quality is recognized and exposure to bad debts is minimized.

The Company transacts only with legitimate and duly accredited customers.

4. Liquidity Risk

The Company maintains a balance between continuity of funding and flexibility using bank loans and purchase contracts. Loans, through trust receipts, are availed for operating requirements which usually mature within 180 days while trade and other payables usually mature within 60 days. The Company also has existing credit lines with local banks which could be drawn when necessary.

5. The Company has no investment in foreign securities.

6. Risk in the Valuation of Assets or Liabilities

The assets of the Company are valued using historical cost convention but real properties notably land and improvements therein are stated at appraised value. Appraisal by an independent appraiser is done regularly at 2-year intervals and the financial statements of the Company are updated using this appraisal.

Trade receivables are also stated at cost. However, allowance for bad debts are provided based on the age of receivables.

Allowance for obsolescence is also provided for inventories consisting of finished goods, work-in-process, raw materials, supplies and other materials.

The Company have no short term or long term Liabilities from loans and other debentures. The Company, however, have an existing Mortgage Trust Indenture which may be utilized in case funds are needed for operations or for capital expenditures.

7. The criteria used in determining whether the market for a financial instrument is active or inactive are the prices available from regular market transactions. In the absence of available market transactions, the item is carried at cost.

ITEM II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

KEY PERFORMANCE INDICATORS

		September 30 2024	September 30 2023	Increase (Decrease)
<b>A. Liquidity</b>				
<b>1. Quick ratio</b> -	capacity to cover its short-term obligations using only its more liquid assets. [(cash + cash equiv. + A/R) / current liabilities]	5.24:1	4.37:1	0.87
	Remarks: The quick ratio for the period is higher than prior year due to higher cash and cash equivalents resulting from collection of trade and loan receivables.			
<b>2. Current ratio</b> -	capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	6.79:1	7.44:1	(0.65)
	Remarks: The current ratio for the period is lower than prior year due to higher current liabilities in the current year due to accrual made for importation and distribution expenses.			
<b>B. Profitability</b>				
<b>3. Net profit margin</b> -	ability to generate surplus for stockholders. (net income / sales)	12%	16%	-4%
	Remarks: Net profit margin for the period is lower than prior year due to lower margin resulting from lower selling price and higher import and production costs.			

KEY PERFORMANCE INDICATORS (continued...)

		September 30 2024	September 30 2023	Increase (Decrease)
<b>4. Return on equity -</b>	ability to generate returns on investment of stockholders.  (net income / stockholders equity)   Remarks: Net profit margin for the period is lower than prior year due to lower margin resulting from lower selling price and higher import and production costs.	7%	11%	-4%
<b>C. Leverage</b> <b>5. Debt to total asset ratio -</b>	the proportion of total assets financed by creditors (total debt / total assets)  Remarks: Debt to asset ratio was higher due to higher current liabilities resulting from accruals made for importations and distribution expenses.	0.13:1	0.12:1	0.01
<b>6. Debt to equity ratio -</b>	an indicator of which group has the greater representation in the assets of the Company  (total liabilities / total equity)  Remarks: The Company have no long-term liabilities to creditors. Non-current liabilities pertains to deferred tax liabilities, lease liabilities due to adoption of PFRS 16 and retirement benefits payable.	0.16:1	0.14:1	0.02

1.A - MATERIAL CHANGES IN FINANCIAL CONDITION

<i>From January 1, 2024 to September 30, 2024</i>	<i>From January 1, 2023 to September 30, 2023</i>	<i>From January 1, 2022 to September 30, 2022</i>
<b>a. Money market securities increased by P890.14M</b> The increase is due to investment of excess cash from collection in short term money market securities.	<b>a. Money market securities increased by P37.61M</b> The increase is due to investment of excess cash from collection in short term money market securities.	<b>a. Money market securities decreased by P318.62M</b> The decrease is a normal movement of short term placements as they mature.
<b>b. Short-term investments decreased by P93.87M</b> The decrease is a normal movement of short term investments as they mature.	<b>b. Short-term investments (nil)</b> No change	<b>b. Short-term investments (nil)</b> No change
<b>c. Accounts Receivable increased by P22.52M</b> due to slightly lower collections during the period.	<b>c. Accounts Receivable decreased by P12.48M</b> due to sustained collection drive.	<b>c. Accounts Receivable decreased by P3.52M</b> due to sustained collection drive.
<b>d. Loan receivable decreased by P500.00M</b> due to collection of loan receivable from PRII.	<b>d. Loan receivable decreased by P100.00M</b> due to collection of loan receivable from PRII.	<b>d. Loan receivable (nil)</b> No change
<b>e. Finished goods increased by P90.28M</b> due to goods produced during the period and receipt of importation net of products sold to customers.	<b>e. Finished goods decreased by P111.32M</b> due to sales to customers net of goods produced during the period and receipt of importation.	<b>e. Finished goods increased by P148.30M</b> due to goods produced during the period and receipt of importation net of products sold to customers.
<b>f. Raw materials decreased by P23.91M</b> due to normal depletion of raw materials and supplies used for production.	<b>f. Raw materials decreased by P17.57M</b> due to normal depletion of raw materials and supplies used for production.	<b>f. Raw materials decreased by P7.65M</b> due to normal depletion of raw materials and supplies used for production.

<i>From January 1, 2024 to September 30, 2024</i>	<i>From January 1, 2023 to September 30, 2023</i>	<i>From January 1, 2022 to September 30, 2022</i>
<b>g. Other current assets increased by P54.26M</b> due to advances made to suppliers and prepaid expenses.	<b>g. Other current assets increased by P82.42M</b> due to advances made to suppliers and prepaid expenses.	<b>g. Other current assets increased by P159.42M</b> due to advances made to suppliers, prepaid expenses and input taxes from purchases and importations.
<b>h. Property, plant and equipment increased by P87.49M</b> due to acquisition of various machineries and equipment and construction in progress net of depreciation for the period.	<b>h. Property, plant and equipment increased by P276.83M</b> due to acquisition of various machineries and equipment and construction in progress net of depreciation for the period.	<b>h. Property, plant and equipment increased by P74.95M</b> due to acquisition of various machineries and equipment and construction in progress net of depreciation for the period.
<b>i. Investment properties of a subsidiary increased by P37.80M</b> due to acquisition of two parcels of land held for future use.	<b>i. Investment properties of a subsidiary (nil)</b> No change	<b>i. Investment properties of a subsidiary (nil)</b> No change
<b>j. Accounts payable and accrual increased by P12.26M</b> due to accrual of expenses.	<b>j. Accounts payable and accrual decreased by P54.45M</b> due to settlement of liabilities to suppliers.	<b>j. Accounts payable and accrual increased by P17.18M</b> due to accrual of expenses.
<b>k. Retained Earnings increased by P217.47M</b> due to the net income attributable to the company amounting to P283.60 Million net of P66.131 Million dividends. On 25 April 2024, the company declared cash dividends amounting to P0.10 per share to shareholders on record as of 24 May 2024, payable on 17 June 2024.	<b>k. Retained Earnings increased by P301.15M</b> due to the net income attributable to the company amounting to P367.28 Million net of P66.131 Million dividends. On 27 April 2023, the company declared cash dividends amounting to P0.10 per share to shareholders on record as of 26 May 2023, payable on 19 June 2023.	<b>k. Retained Earnings increased by P221.01M</b> due to the net income attributable to the company amounting to P287.14 Million net of P66.13 Million dividends. On 28 April 2022, the company declared cash dividends amounting to P0.10 per share to shareholders on record as of 26 May 2022, payable on or before 17 June 2022.

1.B - CHANGES IN OPERATING RESULTS

3rd Quarter 2024 vs. 3rd Quarter 2023	3rd Quarter 2023 vs. 3rd Quarter 2022	3rd Quarter 2022 vs. 3rd Quarter 2021
a. Net Sales is higher by P46.41M due to higher sales volume.	a. Net Sales is higher by P6.85M due to higher sales volume.	a. Net Sales is higher by P208.12M due to higher selling prices resulting from higher prices of caustic soda in the world market.
b. Cost of sales higher by P85.19M due to higher cost of importation and production and higher sales volume.	b. Cost of sales lower by P26.95M due to lower cost of importation and production.	b. Cost of sales higher by P116.18M due to higher cost of importation and production.
c. Operating expense was higher by P16.39M due to higher distribution expenses resulting from higher shipping and delivery cost.	c. Operating expense was higher by P10.91M due to higher distribution expenses resulting from higher shipping and delivery cost.	c. Operating expense increased by P40.75M due to higher administrative and distribution expenses resulting from higher shipping and delivery cost.
d. Interest and other income increased by P28.74M due to higher interest income resulting from higher interest rates and higher other income.	d. Interest and other income increased by P16.33M due to higher interest income resulting from higher interest rates and higher other income.	d. Interest and other income decreased by P5.35M due to lower miscellaneous income and higher foreign exchange loss.
e. Net income decreased by by P21.21M due to lower margin resulting from lower selling price and higher import and production costs.	e. Net income increased by by P29.46M due to lower cost of sales and higher interest and other income.	e. Net income increased by by P33.78M due to higher margin.

## 2 - DISCUSSION AND ANALYSIS OF MATERIAL EVENTS / UNCERTAINTIES WITH IMPACT ON FUTURE OPERATIONS

### a. Impact On Issuer's Liquidity

The Ion-Exchange Membrane plants 1 and 2 are expected to sustain the cost competitiveness of the Company in the face of increased volume of importation of Finished goods.

- b. There is no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- c. There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. The approved capex for the year amounts to P180.0 Million. It will be used generally for the improvement of Distribution and Manufacturing facilities. These capital expenditures are expected to be financed using cash from operations.

### e. Impact On Net Sales/Income

Revenues of the Company is directly influenced by caustic soda prices in the world market. To mitigate the price risk, MVC imports more caustic soda and set local production at its allowable minimum level in times of low prices while caustic soda production is maximized when price of imported caustic soda is high.

- f. There were no significant elements of income or loss that did not arise from continuing operations.

### g. Causes For Material Changes In Line Items Of Financial Statements

(Please refer to pages 11 to 13.)

- h. The financial condition or results of operations of the Company is not affected by any seasonal change.
- i. The COVID-19 pandemic have disrupted the global business environment for several years since 2020 resulting to restrictions on mobility and limitations on product availability.


In July 2023, successful efforts to contain the pandemic has led to the lifting of the state of public health emergency throughout the Philippines ushering the return to normal level of consumer and business activities. As a result, the impact of COVID-19 to the Company have significantly diminished.

PART II - OTHER INFORMATION

1. Disclosure not made under SEC Form 17-C

None.

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

  
STEVE S.C. PANGILINAN  
President and COO  
14-Nov-24

  
MICHAEL S. YU  
Treasurer  
14-Nov-24



Aging of Accounts Receivable  
As of September 30, 2024

1) Aging of Accounts Receivable (In Million Pesos)						
Type of Accounts Receivable	Total	Current	1 to 60 days over due	61 to 90 days over due	Over 90days	Past Due In Litigation
a) Trade Receivables	739.932	491.212	175.126	27.144	46.450	
Less: Allow. for Doubtful Accounts	8.692					
Net Trade Receivable	731.240					
b) Non - Trade Receivables						
1) Administrative	5.576					
2) Advances to suppliers and others receivables	13.395					
Subtotal	18.971					
Less: Allow. for Doubtful Accounts	-					
Net Non-trade Receivable	18.971					
Net Receivables ( a + b + c)	750.211					
2) Accounts Receivable Description						
Type of Accounts Receivable	Nature / Description					Collection Period
a) Trade Receivables						
1) Luzon	Sale of products					30 - 90 days
2) Visayas	Sale of products					30 - 90 days
3) Mindanao	Sale of products					30 - 90 days
b) Non - Trade Receivables	Advances to suppliers, receivable from truckers and other receivables					30 - 60 days

**MABUHAY VINYL CORPORATION AND SUBSIDIARY**  
**SELECTED NOTES TO UNAUDITED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS (ANNEX B)**

**For the Third Quarter and Nine Months Ended September 30, 2024**

*(Amounts in Thousands, Except Per Share Data)*

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**1. Corporate Information**

Mabuhay Vinyl Corporation (the Company) and its subsidiary, MVC Properties Inc. (MPI), collectively referred to as the “Group”, were incorporated in the Philippines on July 20, 1934 and November 26, 2008, respectively. In 1984, the Board of Directors (BOD) of the Company approved the amendment of its Articles of Incorporation to extend the corporate life of the Company, which expired on July 20, 1984, for another 50 years up to July 20, 2034. The amended Articles of Incorporation was approved by the Philippine Securities and Exchange Commission (SEC) in the same year. The Company’s primary purpose is to engage in the business of manufacturing and distributing basic and intermediate chemicals with a wide range of household and industrial applications, including caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite (chlor-alkali). MPI’s principal activity is to lease its parcels of land to the Company. 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’s registered address is 22F The Salcedo Towers 169 H.V. Dela Costa St., Salcedo Village, Makati City.

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**2. Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation

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

Statement of Compliance

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

### Basis of Consolidation

The interim 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 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 for the same reporting period as the Company, using consistent accounting policies. 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 and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. 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, *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. The amendments are not expected to have a material impact on the Group.

- 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.

These amendments may impact future periods should the Group enter into a Sale and Leaseback arrangement.

- 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.

### Standards Issued but not yet Effective

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

*Effective beginning on or after January 1, 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 Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards

Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level 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.

The Group's equity instruments and land are carried at fair value with recurring fair value measurements.

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

#### Financial Instruments

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

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

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

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



allowance is required for credit losses expected over remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

#### *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 have 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, 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, canceled 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.

### Cash and Cash Equivalents

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

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

### Inventories

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

### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

### Prepayments

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

### Property, Plant and Equipment

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

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

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

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

The accounting policy on right-of-use assets is discussed under the “Leases” section.

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

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

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

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

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

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

#### 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.

#### Investment Properties of a Subsidiary

Investment properties consist of parcels of land currently held for future use. These are measured initially at cost, including any transaction costs.

Investment properties are carried at cost less any impairment in value. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. When an item of property and equipment previously carried at revalued amount is transferred to investment properties, the carrying value at the date of reclassification is retained as new cost of the investment property and the corresponding revaluation increment, net of the related deferred income tax liability, is closed to retained earnings.

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

#### Capital Stock

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

#### Dividend

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

#### Retained Earnings

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

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings are restricted for specific purposes that are approved by the BOD and are not available for dividend distributions.

#### Revenue

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an 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 thirty (30) to sixty (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 a significant financing component, non-cash considerations, and considerations payable to the customer, if any.

#### *Other revenue*

The Group provides other services to certain customers and sells excess power to the 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:

<u>Lease Asset</u>	<u>Useful Life (Lease Term)</u>
Land	5-9 years
Building	1-5 years
Warehouse and storage tanks	10 years

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.

#### Retirement Benefit Costs

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

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expenses 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.

#### Foreign Currency-denominated Transactions and Translation

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

#### Income Tax

##### *Current income tax*

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

##### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax liabilities are also recognized for all taxable temporary differences associated with investment in subsidiaries unless the Company is able to control the timing of the



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

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

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

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

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

#### Earnings Per Share

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

#### Provisions and Contingencies

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

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

#### Segment Information

For management reporting purposes, the Group considers the manufacturing and distribution of basic and intermediate chemicals as its primary business activity and only operating segment. Such business segment is the basis upon which the Group reports its operating segment information. The operating segments are reported in a manner that is more consistent with the internal reporting

provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the BOD that makes strategic decisions. The Group has no inter-segment sales and transactions.

#### Events After the Balance Sheet Date

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

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### **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 is designated to appoint key management personnel who have the ability to direct the relevant activity of MPI, which is to lease out its parcels of land to the Company. Based on these facts and circumstances, management concluded that the Company controls MPI and, therefore, included MPI in the consolidated financial statements of the Group.

#### *Determining the lease term of contracts with renewal and termination options*

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

#### *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.

#### 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.

#### *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 amounted to ₱ 563.00 million and ₱562.98 million, respectively.

#### *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.

#### *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.

*Determination of fair value of investment in unquoted equity instruments*

The Group determines the fair value of unquoted equity instruments using acceptable valuation techniques. 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.

*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 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.

*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.

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#### 4. Cash and Cash Equivalents

	September 30, 2024	December 31, 2023
Cash on hand and in banks	<b>₱372,382</b>	₱673,074
Short-term placements	<b>897,143</b>	7,000
	<b>₱1,269,525</b>	₱680,074

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months. These placements earn interest at the respective short-term placement rates. Average interest rate for the period of the short-term placements was 5.75% in 2024 and 5.68% in 2023.

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#### 5. Trade and Other Receivables

	September 30, 2024	December 31, 2023
Trade	<b>₱739,933</b>	₱719,735
Others	<b>18,970</b>	16,650
	<b>758,903</b>	736,385
Less allowance for doubtful accounts	<b>8,692</b>	8,692
	<b>₱750,211</b>	₱727,693

Trade receivables are noninterest-bearing and are generally on 30-60 days' 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.

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## 6. Loan Receivable

On February 7, 2020, the Company entered into a loan agreement with Philippine Resins Industries, Inc. (PRII) amounting to ₱240 million for a period of six months and was extended until April 5, 2021. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

On November 23, 2020, the Company entered into a loan agreement with PRII amounting to ₱160 million for a period of six months or until April 5, 2021, which may be extended upon mutual agreement of both parties. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

Both loans receivable were settled on April 5, 2021.

On April 6, 2021, the Company entered into a loan agreement with PRII amounting to ₱400 million for a period of six months, and was extended until February 14, 2022. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

On August 18, 2021, the Company entered into an additional loan agreement with PRII amounting to ₱300 million for a period of six months or until February 14, 2022, which may be extended upon mutual agreement of both parties. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

On February 14, 2022, both parties agreed to consolidate and extend the foregoing loans totaling ₱700 million for a period of six months or until August 13, 2022 and were further extended until February 9, 2023.

On February 9, 2023, the outstanding loans totaling ₱600 million were extended for another six months or until August 8, 2023 while the remaining balance of ₱100 million was paid on the original extended due date. The outstanding loans amounting to ₱600.00 million were further extended until February 4, 2024.

On February 4, 2024, the outstanding loans totaling ₱600 million were further extended for another six months or until August 3, 2024, under the same terms and conditions as the original loan.

On August 3, 2024, the outstanding loans totaling ₱100 million were extended for another six months or until January 30, 2025 while the remaining balance of ₱500 million was paid on the original extended due date.

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## 7. Equity Instruments Designated at Fair Value Through OCI

	September 30, 2024	December 31, 2023
Quoted equity instruments at fair value:		
Listed companies	₱5,000	₱5,000
Golf shares	3,700	3,700
	<b>8,700</b>	<b>8,700</b>
<i>(forward)</i>		

	September 30, 2024	December 31, 2023
Unquoted equity instruments at cost	28,930	28,930
Less allowance for impairment loss	—	—
	28,930	28,930
	<b>₱37,630</b>	<b>₱37,630</b>

The fair value of investments in listed company shares was based on their bid prices as of September 30, 2024 and December 31, 2023. 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.

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":

	September 30, 2024	December 31, 2023	December 31, 2022
Balance at beginning of year	<b>₱4,630</b>	(₱3,207)	(₱8,384)
Mark-to-market gain (loss) for the year	—	7,837	5,177
Balance at end of year	<b>₱4,630</b>	<b>₱4,630</b>	<b>(₱3,207)</b>

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

## 8. Investment Properties of a Subsidiary

In 2024, the subsidiary acquired two parcels of land from third parties for a sum of ₱37.80 Million including costs incidental to the acquisition amounting to ₱2.00 Million. The investment property is currently held for future use.

## 9. Other Noncurrent Assets

	September 30, 2024	December 31, 2023
Advances to suppliers	<b>₱207,260</b>	₱247,382
Security and rental deposits	21,354	21,654
Software costs	49	134
Others	5,758	4,044
	<b>₱234,421</b>	<b>₱273,214</b>

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## 10. Unused Credit Lines

As of September 30, 2024 and December 31, 2023, the Company has unused credit lines amounting to ₱948.65 million and ₱946.57 million, respectively.

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## 11. Equity

### Capital stock

The Company's number of shares authorized, issued and outstanding are as follows:

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

### Track record of registration of securities

#### *Authorized capital stock*

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

#### *Issued and outstanding*

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

The Company's shares are listed and traded at the PSE and the number of equity holders of the Company was 2,247 and 2,253 as of September 30, 2024 and December 31, 2023, respectively.

### Retained earnings

Below is a summary of the dividends declared for the period ending September 30, 2024, December 31, 2023 and 2022:

Date of Declaration	Date of Record	Dividend rate	Dividend per share
April 28, 2022	May 26, 2022	10%	0.10
April 27, 2023	May 26, 2023	10%	0.10
April 25, 2024	May 24, 2024	10%	0.10

On April 27, 2023, MPI declared and paid cash dividends amounting to ₱0.72 million to Common B stockholders of record as of May 24, 2023.

On April 25, 2024, MPI declared and paid cash dividends amounting to ₱0.64 million to Common B stockholders of record as of May 24, 2024.

On November 21, 2018, the BOD issued a resolution to appropriate retained earnings of ₱700 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 million for future projects and capital expenditures.

Details of the appropriated retained earnings as of September 30, 2024 follows:

Projects	Timeline	Amount
Future projects and capital expenditures	2021 - 2024	₱1,000,000,000

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## 12. 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 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 and 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 once all the 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 September 30, 2024 and December 31, 2023.

### *Credit risk*

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

The Group is not exposed to concentration of credit risk. The Group does not have any customer that accounts for more than 10% of its total revenue. It is the Group's policy to require all customers, who wish to trade on credit terms, to comply with and undergo the credit verification process. This process emphasizes on the customer's capacity and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate and duly accredited parties. The maximum credit exposure of the Group's financial assets is equal to their carrying values. 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 have 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 Company has considered the impact of COVID-19 pandemic on the ECLs of its financial instruments, mainly its trade receivables. 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 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 a 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.

#### *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.

#### 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 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.

### 13. 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 are reasonable approximations of fair values as of September 30, 2024 and December 31, 2023:

September 30, 2024					
	Carrying Value	Fair Value	Quoted prices in active market (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
<b>Measured at fair value</b>					
Equity instruments designated at FVOCI					
Quoted	₱8,700	₱8,700	₱400	₱8,300	₱–
Unquoted	28,930	28,930	–	–	28,930
Land at appraised value	563,000	563,000	–	–	563,000
<b>Assets for which fair values are disclosed</b>					
Debt instruments at amortized cost					
Security and rental deposits*	9,944	6,226	–	6,226	–
Notes receivable	6,405	6,328	–	6,328	–
	₱616,979	₱613,184	₱400	₱20,854	₱591,930

\*Excludes nonfinancial deposits amounting to ₱11.41 million as of September 30, 2024.

December 31, 2023					
	Carrying Value	Fair Value	Quoted prices in active market (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
<b>Measured at fair value</b>					
Equity instruments designated at FVOCI					
Quoted	₱8,700	₱8,700	₱400	₱8,300	₱–
Unquoted	28,930	28,930	–	–	28,930
Land at appraised value	563,000	563,000	–	–	563,000
<b>Assets for which fair values are disclosed</b>					
Debt instruments at amortized cost					
Security and rental deposits*	9,944	6,226	–	6,226	–
Notes receivable	5,946	5,869	–	5,869	–
	₱616,520	₱612,725	₱400	₱20,395	₱591,930

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

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 (Level 2).

#### *Unquoted financial assets*

The fair value of the investment in unquoted equity instruments 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.

#### *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 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 2024, 2023 and 2022.

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## **14. Leases**

The Company has various non-cancellable 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.

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 ₱21.35 million and ₱21.65 million as of September 30, 2024 and December 31, 2023, respectively.

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## **15. 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.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

- a. The Company purchases inventories from Tosoh and Mitsubishi based on agreed commercial terms and conditions. Total purchases from Tosoh amounted to ₱302.77 million as of September 30, 2024 and ₱322.17 million as of December 31, 2023. Total purchases from Mitsubishi amounted to ₱382.63 million as of September 30, 2024 and ₱351.42 million as of December 31, 2023.
- b. 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. On January 1, 2023, the lease was renewed for another three years or until December 31, 2025. Outstanding balances from these transactions amounted to ₱3.02 million and ₱1.87 million liability as of September 30, 2024 and December 31, 2023, respectively. These intercompany transactions were eliminated upon consolidation.
- c. The Company sells finished goods to PRII, a fellow subsidiary of Tosoh Corporation, based on agreed commercial terms and conditions.

On February 7, 2020, the Company entered into a loan agreement with Philippine Resins Industries, Inc. (PRII) amounting to ₱240 million for a period of six months, and was extended until April 5, 2021. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

On November 23, 2020, the Company entered into a loan agreement with PRII amounting to ₱160 million for a period of six months or until April 5, 2021, which may be extended upon mutual agreement of both parties. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

Both loans receivable were settled on April 5, 2021.

On April 6, 2021, the Company entered into a loan agreement with PRII amounting to ₱400 million for a period of six months, and was extended until February 14, 2022. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

On August 18, 2021, the Company entered into an additional loan agreement with PRII amounting to ₱300 million for a period of six months or until February 14, 2022, which may be extended upon mutual agreement of both parties. The loan is subject to an interest rate based on the Philippine BVAL Reference Rate Tenor of one month, as published by the Bankers Association of the Philippines, plus 0.50% per year.

On February 14, 2022, both parties agreed to consolidate and extend the foregoing loans totaling 700.00 million for a period of six months or until August 13, 2022 and were further extended until February 9, 2023.

On February 9, 2023, the outstanding loans totaling ₱600 million were extended for six months or until August 8, 2023 while the remaining balance of ₱100 million was paid on the original extended due date. The outstanding loans amounting to ₱600 million were further extended until February 4, 2024.

On February 4, 2024, the outstanding loans totaling ₱600 million were further extended for another six months or until August 3, 2024 under the same terms and conditions as the original loan.

On August 3, 2024, the outstanding loans totaling ₱100 million were extended for another six months or until January 30, 2025 while the remaining balance of ₱500 million was paid on the original extended due date.

- d. As of September 30, 2024 and December 31, 2023, 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.
    - 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.
    - MVC-RF, as holder of Common B shares, shall be entitled to be paid in full in the event that MPI is liquidated or dissolved.
  - 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).