

COVER SHEET

1 5 9 9 5 0
SEC Registration Number

C R O W N A S I A C H E M I C A L S
C O R P O R A T I O N
(Company's Full Name)

K M . 3 3 M A C A R T H U R H I G H W A Y B O .
T U K T U K A N , G U I G U I N T O , B U L A C A N
(Business Address: No. Street City / Town / Province)

JASON C. NALUPTA
8632-0905
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year
Month Day
Annual Meeting

Definitive Information Statement (SEC Form 20-IS)
Form Type

Secondary License Type, if applicable

Department Requiring this Doc.
Amended Articles Number/Section

Total No. of Stockholders
Total Amount of Borrowings
Domestic Foreign

To be Accomplished by SEC Personnel Concerned

File Number
LCU

Document I.D.
Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of Crown Asia Chemicals Corporation (the "Company") on **11 May 2023 (Thursday)** at **3:00 p.m.**, to consider the following:

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders held on 12 May 2022
5. Approval of 2022 Operations and Results
6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting
7. Election of Directors for 2023 to 2024
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

In consideration of the health and safety of the attendees, the meeting will be conducted virtually, and can be accessed at the link which will be provided to stockholders after successful registration.

Attached are the rationales for the above agenda items for reference.

In accordance with the rules of the Philippine Stock Exchange (PSE), the close of business on **31 March 2023** has been fixed as the record date for the determination of the stockholders entitled to notice of, and vote, at said meeting and any adjournment thereof.

Stockholders may attend the meeting and/or cast their vote *in absentia* by registering via e-mail at corporatesecretary@crownpvc.com.ph on or before 5:00 p.m. on 01 May 2023. Upon verification of their registration credentials, an e-mail from the Corporation will be sent containing instructions on how the registered online participants may access and watch the livestream of the annual stockholders' meeting and/or cast their votes on matters to be taken up during the meeting using the e-voting platform to be set up for the purpose. The e-voting platform will be accessible until 10:00.am of 11 May 2023. Participants may send in questions or comments via e-mail. Please see attached Guidelines for Participating via Remote Communication and Voting in Absentia.

Stockholders may also send their duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Tektite Towers, Ortigas Center, Pasig City or via electronic copy by sending an e-mail to corporatesecretary@crownpvc.com.ph on or before 5:00 p.m. on 01 May 2023. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

Validation of proxies is set on 09 May 2023. The votes already cast using the e-voting platform by that time will also be tallied on said date

Quezon City, Metro Manila, 5 April 2023.



JASON C. NALUPTA
Corporate Secretary

RATIONALE FOR AGENDA ITEMS:

Agenda Item No. 4. Approval of the Minutes of the Previous Meeting of Stockholders held on 12 May 2022

A copy of the Minutes of the 12 May 2022 Annual Stockholders' Meeting is available at the Corporation's website at <http://crownpvc.com.ph/pdfupload/Minutes%20ASM%202022.CACC.pdf>. Stockholders will be asked to approve the Minutes of the 2022 Annual Stockholders' Meeting.

Agenda Item No. 5. Approval of 2022 Operations and Results

A report on the highlights of the performance of the Company for the year ended 2022 will be presented to the stockholders together with the Audited Financial Statements (AFS) for 2022. The AFS were reviewed by the Audit Committee and the Board of Directors, and have been audited by the external auditor, Punongbayan & Araullo (P&A), which rendered an unqualified opinion on the same. Highlights of the 2022 Operations and Results are discussed in the "Management Discussion and Analysis of Operation Performance and Financial Condition" portion of the attached condensed Annual Report. A summary of the 2022 AFS shall also be presented to the stockholders. Stockholders will be given an opportunity to raise questions regarding the operations and report of the Company.

Agenda Item No. 6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting

All actions, proceedings, and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management since the Stockholders' Meeting held on 12 May 2022 until the date of this meeting, shall be presented for confirmation, approval, and ratification.

Agenda Item No. 7. Election of Directors for 2023 to 2024

The incumbent members of the Board of Directors, as reviewed, qualified, and recommended by the Corporate Governance Committee, have been nominated for re-election. Their expertise and qualifications based on current regulatory standards and the Company's own norms will help sustain the Company's performance that will, in turn, benefit the stockholders. The profiles of the Directors are further detailed in the Company's Information Statement. If elected, they shall serve as such from 11 May 2023 until their successors shall have been duly elected and qualified.

Agenda Item No. 8. Appointment of External Auditors

The Audit Committee has pre-screened and recommended, and the Board has endorsed for the consideration of the stockholders, the re-appointment of P&A as the Corporation's External Auditors for 2023. P&A is one of the leading auditing firms in the country and is duly accredited by the Securities and Exchange Commission (SEC). The stockholders will also be requested to delegate to the Board the authority to approve the external audit fee for 2023.

PROXY FORM

The undersigned stockholder of Crown Asia Chemicals Corporation (the "Company") hereby appoints _____ or in his absence, the Chairman of the Meeting, as attorney and proxy, with power to substitute, represent, and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on 11 May 2023, and at any of the adjournments thereof, for the purpose of acting on the following matters:

1. Election of Directors.

_____ 1.1. Vote for all nominees listed below:

Walter H. Villanueva
Eugene H. Lee Villanueva
Tita P. Villanueva
Nicasio T. Perez
Derrick P. Villanueva
Hans Joseph T. Perez
Ernesto R. Alberto (Independent Director)
Marie Therese G. Santos (Independent Director)
Fernando S. Lopez (Independent Director)

_____ 1.2. Withhold authority for all nominees listed above.

_____ 1.3. Withhold authority to vote for the nominees listed below:

2. Approval of the Minutes of previous Annual Stockholders' Meeting.

_____ Yes ___ No ___ Abstain

3. Approval of the 2022 Annual Report.

_____ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last Stockholders' Meeting to 11 May 2023.

_____ Yes ___ No ___ Abstain

5. Appointment of Punongbayan & Araullo as external auditor.

_____ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

_____ Yes ___ No ___ Abstain

Printed Name of Stockholder

Signature of Stockholder /
Authorized Signatory

Date

THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY (IN HARDCOPY TO THE OFFICE OF THE CORPORATE SECRETARY AT 2704, EAST TOWER, TEKTITE TOWERS, ORTIGAS CENTER PASIG CITY OR SOFTCOPY SUBMITTED THROUGH THE ASM ONLINE REGISTRATION PORTAL) AT LEAST TEN DAYS BEFORE THE DATE SET FOR THE ANNUAL MEETING.

SECRETARY'S CERTIFICATE

I, _____, Filipino, of legal age, and with office address at _____, do hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of _____ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at _____;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _____, the following resolution was passed and approved:

"RESOLVED, that _____ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy"), to attend all meetings of the stockholders of Crown Asia Chemicals Corporation ("CROWN"), whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in CROWN, and to act upon all matters and resolution that may come before or be presented during meetings, or any adjournments thereof, in the name, place, and stead of the Corporation; and

"RESOLVED, FINALLY, That CROWN be furnished with a certified copy of this resolution, and may rely on the continuing validity of this resolution until receipt of written notice of the resolution's revocation."

3. The foregoing resolution has not been modified, amended, or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument on _____ in _____.

Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on _____ in _____.
Affiant exhibited to me his/her Competent Evidence of Identity by way of _____ issued on _____ at _____.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of _____.

SECURITIES AND EXCHANGE COMMISSION SEC FORM 20-IS

Information Statement Pursuant to Section 20 of the Securities Regulation Code

1. Check the appropriate box
[] Preliminary Information Statement
[☒] Definitive Information Statement
2. Name of Registrant as specified in its charter: **CROWN ASIA CHEMICALS CORPORATION**
3. Province, country, or other jurisdiction of incorporation or organization: **Metro Manila**
4. SEC Identification Number: **159950**
5. BIR Tax Identification Number: **025-000-240-902**
6. Address of principal office: **Km. 33 MacArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan, Philippines**
7. Registrant's telephone number, including area code: **(02) 3413-8031 to 36**
8. Date, time, and place of the meeting of security holders:
- | | | |
|-------|---|--|
| Date | : | 11 May 2023 (Thursday) |
| Time | : | 3:00 p.m. |
| Venue | : | Video Conferencing in accordance with SEC Memorandum Circular No. 6, Series of 2020 |
9. Approximate date on which the Information Statement is to be sent or given to security holders:
12 April 2023.
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, ₱1.00 par value	610,639,000 (as of 31 December 2023)

11. Are any or all of Registrant's securities listed on a Stock Exchange?

Yes [☒]

No []

If so, disclose the name of the Exchange : **The Philippine Stock Exchange, Inc.**
Class of securities listed : **Common Shares**

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

GENERAL INFORMATION

Date, time, and place of meeting of security holders

Date	-	11 May 2023 (Thursday)
Time	-	3:00 p.m.
Place	-	Videoconferencing in accordance with SEC Memorandum Circular No. 6, Series of 2020

The approximate date on which the Information Statement will be sent or given to security holders is on **12 April 2023**.

The complete mailing address of the principal office of Crown Asia Chemicals Corporation (the "Company") is: **Km. 33 MacArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan, Philippines**.

Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on **11 May 2023** are not among the instances enumerated under Sections 41 and 80 of the Revised Corporation Code of the Philippines ("Revised Corporation Code") under which a stockholder may exercise his appraisal rights. A stockholder shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
3. In case of merger or consolidation; and
4. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

No matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

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

No person who has been a director or officer or nominee for election as director of the Company or associate of such persons, have substantial interest, direct or indirect, in any matter to be acted upon, other than the election of directors for the year 2023 to 2024.

The Company is not aware of any director or security holder who intends to oppose any action to be taken by it during the stockholders' meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

1. As of **31 March 2023**, the Company has **610,639,000** common shares outstanding and each share is entitled to one vote.
2. The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **31 March 2023**.
3. With respect to the election of nine directors, each stockholder may vote such number of shares for as many as nine persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine.
4. Security ownership of certain record and beneficial owners and management.
 - a. Security Ownership of Certain Record and Beneficial Owners

The following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than 5.00% of the Company's voting securities as of **31 March 2023**:

Title of Class	Name and address of Record Owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	% of Class
Common	Nicasio T. Perez West Triangle Homes, Quezon City <i>Shareholder</i>	Same as Record Owner <i>(includes shares held by Mr. Perez' wife)</i>	Filipino	97,024,422	15.88%
Common	Walter H. Villanueva Corinthian Gardens, Quezon City <i>Shareholder</i>	Same as Record Owner <i>(includes shares held by Husky Plastics Corporation)</i>	Filipino	82,832,000	13.56%
Common	Tita P. Villanueva Corinthian Gardens, Quezon City <i>Shareholder</i>	Same as Record Owner	Filipino	47,280,000	7.74%
Common	Derrick P. Villanueva Royal View Mansion, San Juan City <i>Shareholder</i>	Same as Record Owner <i>(includes shares held by Mr. Villanueva's wife and minor children)</i>	Filipino	40,418,293	6.62%
Common	Eugene H. Lee Villanueva West Triangle Homes, Quezon City <i>Shareholder</i>	Same as Record Owner	Filipino	34,225,108	5.61%
TOTAL				301,779,823	49.41%

Apart from the foregoing, there are no other persons holding more than 5.00% of the Company's outstanding capital stock.

a. Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of **31 March 2023**:

Title of Class	Name and address of Record Owner and relationship with Issuer	Amount and Nature of Beneficial Ownership	Citizen-ship	% of Class
Common	Walter H. Villanueva <i>Chairman of the Board, President, Head – Pipes Group, and General Manager – PVC Roof Division and Director</i>	82,832,000 (direct and indirect)	Filipino	13.56%
Common	Tita P. Villanueva <i>SVP/Chief Financial Officer and Director</i>	47,280,000 (direct)	Filipino	7.74%
Common	Nicasio T. Perez <i>Vice President – Treasurer and Director</i>	97,024,422 (direct and indirect)	Filipino	15.88%
Common	Derrick P. Villanueva <i>General Manager – PVC Pipes Division and Director</i>	40,418,293 (direct and indirect)	Filipino	6.62%
Common	Hans T. Perez <i>General Manager - PPR/HDPE Division and Director</i>	2,464,422 (direct)	Filipino	0.40%
Common	Eugene H. Lee Villanueva <i>Director</i>	34,225,108 (direct)	Filipino	5.61%
Common	Marie Therese G. Santos <i>Lead Independent Director</i>	108,000 (direct)	Filipino	0.01%
Common	Ernesto R. Alberto <i>Independent Director</i>	108,000 (direct)	Filipino	0.01%
Common	Fernando S. Lopez <i>Independent Director</i>	10,000 (direct)	Filipino	-nil-
Common	Jason C. Nalupta <i>Corporate Secretary</i>	-nil-	Filipino	-nil-
Common	Ann Margaret K. Lorenzo <i>Assistant Corporate Secretary</i>	-nil-	Filipino	-nil-
Common	Marie Grace N. Dalupan <i>AVP-Finance and Compliance Officer</i>	-nil-	Filipino	-nil-
TOTAL				49.83%

b. Voting Trust Holders of 5.00% or More

The Company knows of no person holding more than 5.00% of shares under a voting trust or similar agreement.

Changes in Control

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, defer, or in any manner prevent a change in control of the Company.

Directors and Executive Officers

The names, ages, and periods of service of all incumbent Directors and Executive Officers of the Company are as follows:

Directors:

Name	Age	Nationality	Present Position	Period of Service in the Company
Walter H. Villanueva	68	Filipino	Chairman of the Board	21 years
Eugene H. Lee Villanueva	66	Filipino	Director	33 years
Tita P. Villanueva	67	Filipino	Director	33 years

Nicasio T. Perez	65	Filipino	Director	33 years
Derrick P. Villanueva	40	Filipino	Director	13 years
Hans Joseph T. Perez	33	Filipino	Director	9 years
Marie Therese G. Santos	65	Filipino	Lead - Independent Director	7 years
Ernesto R. Alberto	60	Filipino	Independent Director	7 years
Fernando S. Lopez	71	Filipino	Independent Director	less than 1 year

Executive Officers:

Name	Age	Nationality	Present Position	Period of Service in the Company
Walter H. Villanueva	68	Filipino	Chief Risk Officer	2020
			President	2019
			General Manager	2017
			Division Head of Pipe Group – PVC Roof	2014
Tita P. Villanueva	67	Filipino	SVP/Chief Financial Officer	2017
			Vice President-Comptroller	2005
Nicasio T. Perez	65	Filipino	Vice-President / Treasurer	1992
Derrick P. Villanueva	40	Filipino	General Manager – PVC Pipes Division	2014
			Assistant General Manager- PVC Pipes Division	2009
Hans Joseph T. Perez	33	Filipino	Risk Management Officer and General Manager – PPR /HDPE Pipes Division	2017
			Assistant General Manager- PPR/HDPE Division	2014
Marie Grace N. Dalupan	41	Filipino	Compliance Officer	2020
			AVP-Finance	2019
Jason C. Nalupta	51	Filipino	Corporate Secretary and Chief Information Officer	2012
Ann Margaret K. Lorenzo	34	Filipino	Assistant Corporate Secretary	2017

Board of Directors

All the incumbent members of the Board of Directors were also nominated herein, as certified by the Corporate Governance Committee composed of Mr. Ernesto R. Alberto (Chairman), Ms. Marie Therese G. Santos (Independent Director), Mr. Fernando S. Lopez (Independent Director), Mr. Derrick P. Villanueva, and Mr. Hans Joseph T. Perez, for re-election as members of the Board of Directors for 2023 to 2024.

On 19 January 2023, the Company's Corporate Governance Committee also endorsed the nominations for the three independent directors. These nominations were given in favor of Mr. Ernesto R. Alberto by Mr. Walter H. Villanueva, Ms. Marie Therese G. Santos by Ms. Tita P. Villanueva, and Mr. Fernando S. Lopez by Mr. Hans T. Perez. The nominees, Mr. Alberto, Ms. Santos, and Mr. Lopez are not related to the nominating stockholders, Mr. Villanueva, Ms. Villanueva, and Mr. Perez, respectively.

To describe the business experiences of the Company's directors for the past five years, we have outlined hereunder their professional and business affiliations.

Walter H. Villanueva, 68, Filipino, Chairman of the Board, President, General Manager – PVC Roof Division, Chief Risk Officer

Mr. Walter H. Villanueva is concurrently a director and stockholder of Asean Timber Corporation, Husky Plastics Corporation, WT Derrick Realty Corporation and Guiguinto Integrated Wood Industries Corporation. He is likewise the Chairman or President and General Manager of these companies. From 2005 to present, Mr. Villanueva served as the Vice President for Sales and Marketing and the General

Manager for the Pipe Group of Crown Asia Chemicals Corporation. He was appointed by the Board of Directors on July 19, 2019 as President of Crown Asia Chemicals Corporation, effective August 1, 2019. He was also appointed by the Board of Directors as Chief Risk Officer effective July 10, 2020.

Mr. Villanueva holds a Bachelor of Science degree in Business Administration and Marketing from the University of the Philippines Diliman.

Tita P. Villanueva, CPA, 67, Filipino, Director and SVP/Chief Financial Officer

Mrs. Tita P. Villanueva (CPA) is concurrently a director and stockholder of Asean Timber Corporation, Husky Plastics Corporation, WT Derrick Realty Corporation, and Guiguinto Integrated Wood Industries Corporation. She likewise serves as the Comptroller and Chairman of the Board of Asean Timber Corporation, Treasurer of both Husky Plastics Corporation and WT Derrick Realty Corporation, and Vice President of Guiguinto Integrated Wood Industries Corporation. Mrs. Villanueva holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines Diliman. She was promoted to Senior Vice President and Chief Financial Officer on December 15, 2017.

Nicasio T. Perez, 65, Filipino, Director and VP-Treasurer

Mr. Nicasio T. Perez is concurrently a director and stockholder of Asean Timber Corporation and Guiguinto Integrated Wood Industries Corporation. He likewise serves as Treasurer of Asean Timber Corporation and Chairman of the Board of Directors of Guiguinto Integrated Wood Industries Corporation. He holds a Bachelor of Science degree in Commerce from the University of Sto. Tomas.

Derrick P. Villanueva, 40, Filipino, Director and General Manager – PVC Pipes Division

Mr. Derrick P. Villanueva was the Assistant General Manager – PVC Pipes Division position from July 2009 to December 2013 before he was promoted to General Manager for the same division on January 1, 2014. He is concurrently a director and stockholder of WT Derrick Realty Corporation and Husky Plastics Corporation. Mr. Villanueva holds a Diploma in Chemical Sciences from the British Columbia Institute of Technology and a Bachelor of Science degree in Entrepreneur Management from the University of Asia and the Pacific.

Hans Joseph T. Perez, 33, Filipino, General Manager – PP-R/HDPE Pipes Division

Mr. Hans T. Perez assumed his position as Assistant General Manager of the PP-R /HDPE Pipes Division in 2014. He holds a Bachelor of Science degree in Commerce major in Business Management from the De La Salle University. In 2017, he was promoted to the position of General Manager of the same division. He was designated by the Board as Risk Management Officer on September 29, 2017. On May 29, 2020, he was elected as Director of the company.

Eugene H. Lee Villanueva, 66, Filipino, Director

Mr. Eugene H. Lee Villanueva is concurrently a director and stockholder of Husky Plastics Corporation. He is an MBA Candidate in the Ateneo De Manila University and holds a Bachelor of Science degree in Pre Medicine from the University of the Philippines Diliman. He retired as President of Crown Asia Chemicals Corporation effective August 1, 2019.

Marie Therese G. Santos, 65, Filipino, Lead Independent Director

Ms. Marie Therese G. Santos is concurrently a director and stockholder of Gravitas Prime. Ms. Santos also sits as Independent Director of First Abacus Holdings, Inc. and Treasurer of UP High, Preparatory, Elementary, and Integrated School Alumni Foundation. She previously served as CFO, and after her resignation, as Independent Director and Chairman of the Audit Committee of Music Semiconductors Corporation. She also served as Director and Chairman of the Risk Management Committee of both Rural Bank of Solano (Nueva Vizcaya), Inc. and Cordillera Savings and Loan Association.

Ms. Santos holds a Masters degree in Business Administration and Bachelor of Science degree in Chemical Engineering from the University of the Philippines Diliman. She is a licensed Chemical Engineer.

Ernesto R. Alberto, 60, Filipino, Independent Director

Mr. Ernesto R. Alberto is currently the President and a Board Director of DITO CME Holdings Corporation.

He is a retired Executive Vice President of the Philippine Long Distance Telephone Company (PLDT). He was also the President and CEO of Telesat, Inc. and ePLDT, Inc., as well as the President of ePDS, Inc. In addition, he was the Chairman of ACASIA Communications Sdn Bhd, Bonifacio Communications Corp., PLDT SUBIC TELECOM, INC. (PLDT SubicTel), Clark Telecommunication Company Inc. (PLDT Clarktel), ABM Global Solutions, iPlus, and Junior Achievement Philippines. He also held directorships in PLDT Philcom, PLDT Maratel, Inc., PLDT Global Philippines, PLDT Global Malaysia, Mabuhay Investments Corp., IP Converge Data Services, Inc., and IBM Analitika Philippines. Mr. Alberto was a director of the Business Processing Association of the Philippines (BPA/P) from 2007 to 2011.

Mr. Alberto obtained his Master's Degree in Economic Research from the University of Asia and the Pacific and his Bachelor's Degree Major in Economics, Minor in Mathematics and Political Science from San Beda College.

Fernando S. Lopez, 71, Filipino, Independent Director

Mr. Fernando S. Lopez is currently a Director and the Treasurer of A. Magsaysay Inc. and Subsidiaries. He also holds the position of President of Fairex Trading (Asia) Corp. and Magsaysay Houlder Insurance Broker Inc.

Mr. Lopez obtained his Bachelor's Degree on Accountancy from University of the East and is a Certified Public Accountant.

** Independent Director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Directors. The procedures for the nomination and election of independent director/s laid down in the Company's By-Laws are in accordance with the requirements of said Rule.*

EXECUTIVE OFFICERS

Marie Grace N. Dalupan, 41, Filipino, AVP-Finance

Ms. Dalupan assumed her position as AVP-Finance of the Corporate Division in 2019. She was designated by the Board as Compliance Officer on May 29, 2020.

Jason C. Nalupta, 51, Filipino, Corporate Secretary and Chief Information Officer

Atty. Jason C. Nalupta, Filipino, 51, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank Corporation, Belle Corporation, and Crown Asia Chemicals Corporation. He is also a Director and/ or Corporate Secretary or Assistant Corporate Secretary of private companies, Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Belle Infrastructure Holdings, Inc. (Formerly: Metropolitan Leisure & Tourism Corporation), Belle Bay Plaza Corporation, Glyphstudios, Inc., Grabagility, Inc., Loto Pacific Leisure Corporation, Stage Craft International, Inc., FHE Properties, Inc., Stanley Electric Philippines, Inc., and Sta. Clara International Corporation.

He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

Ann Margaret K. Lorenzo, 34, Filipino, Assistant Corporate Secretary

Ms. Ann Margaret K. Lorenzo, Filipino, 34, is the Assistant Corporate Secretary of the Corporation. She is Ann Margaret K. Lorenzo, Filipino, 34, is the Assistant Corporate Secretary of the Corporation. She is concurrently the Corporate Secretary of the following companies: Arquee Corp., Green Asia Resources Corp., and GGO Realty Holdings, Inc. She is also the Assistant Corporate Secretary of Asia United Bank Corporation, Discovery World Corporation, Pacific Online Systems Corporation, Coal Asia Holdings, Inc., Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Joy-Nostalg Corporation, Jin Natura Resources Corp., Jin Navitas Resource, Inc., Catmon Felix, Inc., Yeoj Commoditas, Inc., Yeoj Socialis, Inc., Yeoj Turbulentus, Inc., Yeoj Universalis, Inc., Bayby Earth, Inc., Jaman Boracay Corporation, Jaman Cebu Corporation, Jaman Hari Corporation, Jaman Reyna Corporation, Jaman

Tagaytay Corporation, Corellia Ventures Incorporated, Sacareen Ventures Incorporated, Iridium Ventures Incorporated, and Bluepanel Equities and Development Inc. She likewise serves as a director of Cloud Arch Ventures Inc.

Ms. Lorenzo is a Senior Associate at Tan Venturanza Valdez where she specializes in securities law, special projects, and data privacy. She also lectures at the Paralegal Training Program of the UP Law Center on corporate housekeeping and data privacy. She obtained her Bachelor of Arts degree in English Studies (cum laude) and Juris Doctor degree from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine bar in April 2015.

Significant Employees

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees within the Company.

Family Relationships

Mr. Walter H. Villanueva and Mr. Eugene H. Lee Villanueva are siblings. Mrs. Tita P. Villanueva and Mr. Nicasio T. Perez are siblings.

Mr. Walter H. Villanueva and Ms. Tita P. Villanueva are spouses.

Mr. Derrick P. Villanueva is the son of Mr. Walter H. Villanueva and Ms. Tita P. Villanueva. Mr. Hans Joseph T. Perez is the son of Mr. Nicasio T. Perez.

Mr. Hans Joseph T. Perez and Mr. Derrick P. Villanueva are first cousins.

There are no other family relationships known to the Company among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers other than the ones disclosed.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence during the past five years up to the date of this Information Statement of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; and
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect material interest in a transaction or proposed transaction to which the Company was a party.

Related Party Transactions are discussed under Note 17 of the 2022 Audited Financial Statements.

Disagreement with Director

No director has resigned nor declined to stand for re-election to the Board of Directors because of a disagreement with the Company on any matter relating to the latter's operations, policies, or practices since the date of the last Annual Stockholders' Meeting.

Compensation of Directors and Executive Officers

1. EXECUTIVE COMPENSATION

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2020, 2021, and 2022. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

Name and Position	Year	Salaries	Bonuses	Others	Total
Walter H. Villanueva/ Chairman/President/Head -Pipe Group/ General Manager – PVC Roof Division	2020	₱ 15,416,457	₱ -	₱ 1,708,060	₱ 17,124,517
Tita P. Villanueva/ SVP/Chief Financial Officer					
Nicasio T. Perez/VP- Treasurer					
Derrick P. Villanueva/General Manager-PVC Pipes Division					
Hans T. Perez/General Manager-PPR/HDPE Division					
Walter H. Villanueva/ Chairman/President/Head -Pipe Group/ General Manager – PVC Roof Division	2021	₱ 22,901,454	₱ 1,264,607	₱ 5,793,996.66	₱ 29,959,607.66
Tita P. Villanueva/ SVP/Chief Financial Officer					
Nicasio T. Perez/VP- Treasurer					
Derrick P. Villanueva/General Manager-PVC Pipes Division					
Walter H. Villanueva/ Chairman/President/Head -Pipe Group/ General Manager – PVC Roof Division	2022	₱ 20,400,360	₱ 21,990,107.64	₱ 2,243,124.40	₱ 44,634,092.04
Tita P. Villanueva/ SVP/Chief Financial Officer					
Nicasio T. Perez/VP- Treasurer					
Derrick P. Villanueva/General Manager-PVC Pipes					

Division					
Hans T. Perez/General Manager-PPR/HDPE Division					
CEO and the four (4) most highly compensated officers named above	Estimated 2023	₱ 20,400,360	₱ 21,990,107.64	₱ 2,243,124.40	₱ 44,634,092.04
Aggregate compensation paid to all officers and directors as a group unnamed	2020	₱ 15,701,087	₱ -	₱ 2,704,772	₱ 18,405,860
	2021	₱ 24,552,648	₱ 1,381,070	₱ 7,628,996.66	₱ 33,562,714.66
	2022	₱ 20,400,360	₱ 24,355,287.64	₱ 3,185,124.40	₱ 47,940,772.04
	Estimated 2023	₱ 20,400,360	₱ 24,355,287.64	₱ 3,185,124.40	₱ 47,940,772.04

2. DIRECTORS' COMPENSATION

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10.00% of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Currently for Board meetings, the Chairman receives P25,000 and other directors at P20,000 per meeting attended. For Committee meetings, the Committee Chairperson receives P12,000 and the members receive P10,000 per meeting attended. For 2022, the directors received the following per diem for board and committee meetings attended:

Director	Gross Amount Received
Walter H. Villanueva	₱ 175,000.00
Tita P. Villanueva	₱ 130,000.00
Nicasio T. Perez	₱ 180,000.00
Derrick P. Villanueva	₱ 220,000.00
Hans Joseph T. Perez	₱ 220,000.00
Eugene H. Lee Villanueva	₱ 180,000.00
Marie Therese G. Santos	₱ 256,000.00
Ernesto R. Alberto	₱ 268,000.00
Bede Lovelle S. Gomez	₱ 196,000.00
Fernando S. Lopez	₱ 42,000.00

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

There are no special employment contracts between the Company and its executive officers. Furthermore, there are no special retirement plans for executives. There is also no arrangement for compensation to be received from the Company.

Warrants and Options Outstanding

As of **31 March 2023**, there were no outstanding warrants or options held by any of the Company's directors and officers.

There are no outstanding warrants or options held by directors and officers and consequently, there are no adjustments in the exercise price of said warrants or options.

Independent Public Accountants

Punongbayan & Araullo (P&A) the Company's external auditors for 2022, will be recommended for re-appointment as such for the current year. Representatives of P&A are expected to be present at the Annual Stockholders' Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

P&A audited the Company's financial statements for the year ended 31 December 2022. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Mr. John Endel Mata. Since the appointment of P&A in 2012, there has been no change in the auditor and there has been no event where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements, or auditing scope or procedure.

In Compliance with SEC Memorandum Circular No. 8 Series of 2003, the assignment of Mr. Mata as P&A's engagement partner for the Company shall not exceed five years.

Punongbayan & Araullo billed the Company P530,000.00, P560,000.00 and P600,000 for the examination of the financial statements for the calendar years December 31, 2020, 2021 and 2022 respectively, exclusive of 15% of professional fees for out-of-pocket expenses

P&A did not render professional services to the Company for tax accounting, compliance, advice, planning, and any other form of tax services.

Under the Company's Manual on Corporate Governance, the policies and procedures for the audit rendered by the independent public auditors are to be taken up, discussed, and approved by the Company's Audit Committee, composed of Mr. Fernando S. Lopez as Chairman, Ms. Marie Therese G. Santos, Mr. Ernesto R. Alberto, Mr. Nicasio T. Perez, and Mr. Eugene H. Lee Villanueva as members.

The Audit Committee's decisions are based on the standards set forth by the Company for the purpose of audit or tax services, as the case may be. If the proposal submitted by the independent public auditor is within the standards set forth, then the proposal is forwarded to the Company's Board of Directors for approval.

OTHER MATTERS

Action with Respect to Reports

The Company will seek the stockholders' approval of the Minutes of the previous Stockholders' Meeting during which the following were taken up: (1) Call to Order; (2) Proof of Notice of Meeting; (3) Certification of Quorum; (4) Approval of the Minutes of the Previous Meeting of Stockholders; (5) Approval of 2021 Operations and Results; (6) Ratification of all Acts of the Board of Directors and Management from the date of last Annual Stockholders' Meeting to the date of this meeting; (7) Election of Directors for 2022 to 2023; (8) Appointment of P&A as External Auditors; (9) Other Matters; and (10) Adjournment. The Minutes for the Annual Shareholders' Meeting for 2022 is annexed to this report.

The 2022 Operations and Results is contained and discussed in the Annual Report attached and made part of this Information Statement. Approval of the reports will constitute approval of the Audited Financial Statements as well as approval and ratification of the acts of management and of the Board of Directors for the past year.

Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Amendment of Charter, By-Laws or Other Documents

No action will be taken with respect to any amendment to the Corporation's Articles of Incorporation or By-Laws.

Other Proposed Actions

The following are to be proposed for approval during the Annual Stockholders' Meeting:

1. Minutes of the Previous Meeting of Stockholders;
2. 2022 Operations and Results;
3. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting up to 11 May 2023;
4. Election of Directors for 2023 to 2024;
5. Appointment of P&A as External Auditors; and
6. Other Matters.

The acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting up to 11 May 2023 that are for ratification are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

1. Membership in the different committees of the Board of Directors;
2. Designation of authorized signatories for day-to-day transactions;
3. Designation of authorized representatives with various companies and entities;
4. Approval of 2022 Audited Financial Statements;
5. Opening of bank accounts and credit facilities;
6. Appointment of officers;
7. Approval of capital expenditures;
8. Review of policies; and
9. Purchase or sale of motor vehicles.

Management reports, which summarize the acts of management for the year 2022, are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and submitted for the stockholders' approval at the meeting. Accordingly, approval of the Annual Report will constitute approval of the Audited Financial Statements as well as approval and ratification of the acts of management stated in the management reports during the period covered thereby.

Voting Procedures

1. Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

2. Two inspectors, who are officers or employees of the Company, shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place. If no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or failed to attend, then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on **11 May 2023**, the Corporate Secretary and/or his representative, together with the representative from the stock transfer agent, have been designated as inspectors tasked to oversee the counting of votes.

3. Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence, and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the Company. However, in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided by law. For the purpose of this year's annual stockholders' meeting, which will be held only in virtual format, the stockholders may only vote through proxies or by remote communication (in absentia). The stockholders are encouraged to participate in the meeting by either of the following:

a. By submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City or via electronic copy by emailing corporatesecretary@crownpvc.com.ph on or before 5:00 pm on 28 April 2023.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory.

b. By registering your votes on the matters to be taken up during the meeting through the e-voting platform set-up for the purpose which can be accessed at **www.crownpvc.com.ph**. The e-voting platform will be open until 10:00 am of 11 May 2023.

4. The By-Laws of the Company are silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce*. For purposes of the 2023 Annual Stockholders Meeting, however, votes may only be sent via hardcopy proxies or electronically through

the online voting platform or electronic sending of proxies via email.

5. With respect to the election of nine directors, each stockholder may vote such number of shares for as many as nine persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine.

6. Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with.

Omitted Items

Items 8, 9, 10, 11, 12, 16, and 17 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this report are true, complete, and correct.

This report is signed in Pasig City, on 5 April 2023.

A handwritten signature in blue ink, appearing to read 'J. C. Nalupta', with a stylized flourish at the end.

JASON C. NALUPTA
Corporate Secretary

CROWN ASIA CHEMICALS CORPORATION BUSINESS AND GENERAL INFORMATION

BACKGROUND

The Company was incorporated and registered with the SEC on February 10, 1989 as Crown Asia Compounders Corporation. On September 29, 2014, the SEC approved the change of the Company's name to "Crown Asia Chemicals Corporation". Its primary purpose is to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail such goods as; plastic and/or synthetic resins and compounds and other allied or related products/goods of same/similar nature, and any and all equipment, materials supplies used or employed in or related to the manufacture of such products. Its registered address and principal place of business is at Km. 33 MacArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan, Philippines.

The Company started commercial operations in 1990 with the trading of imported PE compounds and paraffin waxes. In the same year, the Company started the production and sales of PVC compounds at its plant in Guiguinto, Bulacan.

Capitalizing on its expertise in PVC formulation, CROWN expanded downstream into the manufacture of industrial plastic pipes under the CROWN® pipes brand for electrical, sanitary, potable water, and telecommunications applications.

In 1998, the Company began the production of unplasticized PVC flexible electrical pipes. Soon after, the Company's range of product lines expanded further with the introduction of PVC electrical conduit pipes and potable water pipes in 2000, and sanitary pipes and fittings in 2002.

In 2003, CROWN saw the opportunity to expand the application of its PVC compounds beyond wires and cables. It started to develop and market PVC compounds for use in packaging, IC tubes, films and bottles, as well as door and window profiles.

The Company also has expanded its lines to include pressure main distribution pipes and telecommunication conduit pipes in 2006.

On April 27, 2015, Crown Asia Chemicals Corporation was listed at the Philippine Stock Exchange (PSE).

In August 2015, the Company started testing the manufacture of PPR and HDPE pipe products.

In February 2016, the Company started manufacturing its Enduro pipes.

Production of the company's PVC roofing commenced on October 2017 and started supplying projects in December 2017.

In 2018, the Company acquired ISO 9001-2015 for its Compounds and Pipes Divisions. It was also the year the company was listed by PSE as Shariah-compliant company.

In December 2018, the Board approved a P100million shares buy-back program for a period of up two (2) years, whichever comes first.

Moreover, the company was cited by Financial Times as Top 1,000 High-Growth companies in the Asia-Pacific Region in 2018 and 2019.

In 2020, the Company was also recognized by Forbes as one of the "200 Best Under a Billion" in Asia Pacific Region.

In December 2020, the Board concluded the Shares Buy-back program. Total of 20,161,000 shares were repurchased by the company.

PRODUCT LINES

1. PVC Compounds

a. *Wires and Cables*

CROWN's Wire and Cable PVC compounds are developed to comply with PNS and International Standards like Restriction of Hazardous Substances ("RoHS"). CROWN has been able to provide high standard PVC compounds for specific applications including flame retardant compounds, high insulation resistance compounds, CT-rated and low smoke emitting compounds and sunlight/UV resistant compounds.

b. *IC Tubes*

CROWN's IC Tube PVC compounds are specially designed to protect IC chips.

c. *Films*

CROWN's Film PVC compounds are developed for cap seals, shrink films, labels, and other packaging applications.

2. PVC Pipes and Fittings

a. *Crown Blue*

Crown Blue is the Company's PVC potable pipes and fittings. The Company's potable pipes and fittings are assured to be extra strong and safe, high pressure resistant, non-corrosive, has smooth internal and external surfaces, and made from 100.00% virgin materials.

b. *Crown Electrical*

Crown Electrical is the Company's line for PVC electrical conduit pipes. The Company's electrical conduit pipes are assured to be self-extinguishing, highly flame-retardant, has excellent insulation resistance properties, uniform wall thickness, diameter, and color, smooth interior and exterior surfaces, and made from 100.00% virgin materials.

The Company offers two (2) types of electrical pipes, namely the Crown Supreme, which is the high impact thick wall electrical pipe, and Crown Hi-Tech, which is the thin wall electrical pipe.

c. *Crownflex*

Crownflex is the Company's line for PVC flexible electrical pipes. The Company's flexible pipes are UV protected, characterized by its strength, convenience, flexibility, and high safety standard, especially against weather elements. It has uniform wall thickness and diameter and is impact and crash-resistant. It is made with high grade PVC material, self-extinguishing, highly resistant to flame, and has uniform material distribution to avoid breakage.

d. *Crown Sanitary*

Crown Sanitary is the Company's line for Drain-Waste-Vent ("DWV") PVC sanitary pipe. The Company's DWV sanitary pipes are UV protected, characterized by its durability and quality, especially against weather elements. These pipes are available in three (3) categories, namely Series 500, which is thin wall, Series 600, which follows ASTM, and Series 1000, which also follows ASTM.

e. *Crown Pressure Main Blue and Wide-diameter Pipes*

The Company's PVC pipe product used for high pressure waterworks, irrigation, and infrastructures. In buildings, it is the conduit by which water source from the government passes into the building reservoir or pipelines.

f. Crown Telecom

The Company's PVC pipe product used as conduit by which telecommunications wiring passes through to reach the telecom outlet site.

g. Crown Universal

Crown Universal is the Company's multi-purpose PVC pipe with thin wall. These pipes do not conform to BPS standards and are intended for temporary usage during the early stages of construction. These pipes are lower priced but are yet characterized by its strength and durability.

h. Enduro Pipes

Durable pipes for the economically sensitive consumers for affordable housing projects.

3. HDPE Pipes and Fittings

CROWN HDPE is characterized by its toughness and flexibility, chemical resistance with thermal properties, weather and environmental stress resistance, non-corrosive properties, and high flow capacities.

The Company's brands under its HDPE pipe products are CROWN Fuerza with a PE 100 designation and CROWN Sigma with PE 80. These designations are based on the long-term strength of its materials, known as the minimum strength requirement (MSR).

4. PP-R Pipes and Fittings

PP-Rs or Polypropylene random copolymers are thermoplastic resins produced through the polymerization of propylene, with ethylene links introduced in the polymer chain. Because of its chemical features and fusion welding, PP-Rs are most reliable in plumbing and water supply plants, and ensures a substantially better seal tight system. They are also eco-friendly with no heavy metal content such as lead.

Crown Asia Chemicals Corporation is the first in the Pipe Industry to produce full range of PPR fittings.

5. PVC ROOF MATERIALS

The Crown Roofing is high impact-resistant and has the strength and durability that can withstand tough loads, will not easily flatten, get distorted, crack or break. It successfully passed both the impact resistance and flattening tests performed by QA engineering in line with accepted industry standards.

It is built with UV Protection, an important component that prevents premature aging, weakens the roofing material and cause brittleness. Climate variability exacerbate material degradation by increased dosage of harmful ultra-violet rays. Moreover, it is highly resistant to extreme weather conditions and will not crack or disintegrate when exposed to chemical compounds like acetone.

This contemporary roofing material is non-corrosive and do not rust, making them ideal for structures in areas near or by the sea. Their versatile applications cover commercial, industrial and manufacturing structures such as factories, warehouses, wharfs and seaports.

Crown responds to the country's housing needs and infrastructure development by providing an all-weather, cool roofing solution. The brand produces three roofing profiles, namely, corrugated, rib and tile types, in commercial lengths of 8, 10 and 12 feet. Volume requirements for long span cool roof in transportable length are accepted by special order.

Management of Key Risks related to the Company

Risks relating to the Company and its Business

1. Raw Material Cost and Availability

The Company's margins depend on the selling prices that the Company is able to charge for its products and the costs of the raw materials and other inputs that it requires to produce these products. The primary

raw materials that the Company utilizes in the manufacture of its products include PVC resins, polymers, stabilizers, and plasticizers. The prices of these primary raw materials represent a substantial portion of the Company's manufacturing costs. The prices of these raw materials are influenced by factors that the Company cannot control, such as market conditions, general global economic conditions, production capacity in the markets, production constraints on the part of the Company's suppliers, fluctuations in oil or other commodity prices, infrastructure failures, political conditions, weather conditions, regulations and other factors.

To protect itself against adverse movements in the prices of raw materials, the Company maintains a raw materials inventory equivalent to around 45-60 days of production. In the event that any of the Company's suppliers is subject to a major production disruption or is unable to meet its obligations under existing supply arrangements, the Company can purchase such inputs from any of its other accredited local and foreign suppliers that the Company had already dealt with in the past. The Company also has a list of approved alternative materials that can substitute the raw materials it currently uses.

2. Operating or Process Failures and Quality Assurance

PVC pipes dominate the plastic pipes market with significant application in the construction and building industry. Given the increasing competition in plastic pipes market, the quality of the products will need to adhere to certain standards to ensure its reliability and effectiveness, such as ISO and BPS.

Any problems that the Company may incur in relation to the quality of its products can affect how the Company's customers perceive its products. This situation could have a material adverse effect on the Company's business, operations, and financial condition.

The Company has established quality assurance and control procedures for both its Compounds and Pipes Groups. It has dedicated quality assurance laboratories and competent and professional staff for each of its quality assurance departments in the Compounds and Pipes Group. In addition, for its Pipes Group, CROWN pipes undergo additional testing externally through the project-clients' technical consultants and/or accredited independent laboratories.

In the Company's continuing commitment to maintain the highest level of quality in its operations and products, the Company owns and continues to update its ISO certifications, certifying that CROWN operates a quality management system that has been assessed as conforming to ISO 9001:2008 for the manufacture and distribution of both compounds and PVC products. The company's Compounds Division and Pipe Group are already assessed as conforming to ISO 9001:2015.

3. Power Shortages

The Company has been relying primarily on mainstream power for the production of compounds, PVC pipes, PPR/HDPE pipes and PVC roof materials that requires a significant amount of stable power load for its operations.

Any downtime of the Company's operations over an extended period, due to power interruptions, would have adverse effect on the Company's business, operations, and financial condition.

At present, the Company has a standby generator set to partially address the prospective power shortage that will affect the country.

4. Imitation or Infringement of the Company's Intellectual Property Rights

In the event that the Company's trademarks under license are imitated or otherwise infringed, the Company's reputation and business may be adversely affected.

The Company has its legal team that can handle any infringement and take legal action should a litigation matter arise. Furthermore, the Intellectual Property Office closely coordinates with the National Bureau of Investigation (NBI), which apprehends infringement violators, thus the Company believes that infringement cases, if any, can be easily resolved.

Risks relating to the Philippines

5. Change in Political or Social Instability in the Philippines

The Philippines has from time to time experienced political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business.

The Philippines has a presidential system that changes the country's chief executive every six (6) years which may cause changes in the political, economic and social policies.

a. Occurrence of Natural Calamities

The Philippines has experienced a significant number of major natural calamities over the years, including typhoons, volcanic eruptions and earthquakes.

The Company completed its flood control system in the Bulacan plant to ensure that production will not be disrupted and assets and inventories will be protected.

Properties

The Company owns the following properties in Bulacan and Valenzuela covered by individual tax declarations.

Lands

Tax Declaration Number	Location	Area	Classification
2018-09014-01623	Bulacan	5,462.00 sq.m	Industrial
2018-09014-01624	Bulacan	892.00 sq.m.	Industrial
2018-09014-01626	Bulacan	3,214.00 sq.m.	Industrial
2018-09014-01628	Bulacan	6,415.00 sq.m.	Industrial
2018-09014-01634	Bulacan	2,888.00 sq.m.	Industrial
2018-09014-01704	Bulacan	11,935.00 sq.m.	Industrial
E-027-00381	Valenzuela	5,052 sq.m.	Industrial

Buildings and Improvements

Tax Declaration Number	Location	Area	Classification
2018-09014-01625	Bulacan	140.00 sq.m.	Industrial
2018-09014-01627	Bulacan	2,184.00 sq.m.	Industrial
2018-09014-01629	Bulacan	1,150.50 sq.m.	Industrial
2018-09014-01635	Bulacan	1,980.00 sq.m.	Industrial
2018-09014-01636	Bulacan	500.00 sq.m.	Industrial/Residential
2018-09014-01705	Bulacan	2,835.00 sq.m.	Industrial
2018-09014-01706	Bulacan	468.00 sq.m.	Industrial
2018-09014-01707	Bulacan	3,276.00 sq.m.	Industrial
E-027-00344	Valenzuela	3,505.80 sq.m.	Industrial

The properties (lands, buildings and improvements) are neither subject of any mortgage, lien, or encumbrance nor limitations on its ownership or usage.

Trademarks and Copyrights

The Company has various trademarks registered with the Intellectual Property Office, as follows:

CROWN's Trademarks Under License			
Registered Trademark	Registration Number	Date Registration of	Valid Until
TECHNOVINYL & CROWN DEVICE WITHIN THE CIRCLE	4-1997-123430	February 10, 2003	February 10, 2023
HI TECH WITH CROWN LOGO	4-2005-006473	October 23, 2006	October 23, 2026
PETROVIN & CROWN DEVICE	4-2006-010314	July 30, 2007	July 30, 2027
CROWN UNIVERSAL	4-2006-013658	August 13, 2007	August 13, 2027
ENDURO WITH CROWN DEVICE	4-2006-012499	August 20, 2007	August 20, 2027
CROWN	4-2006-013655	August 11, 2008	August 11, 2028
CROWN BLUE	4-2006-013656	August 11, 2008	August 11, 2028
CROWN FLEX	4-2006-013657	August 11, 2008	August 11, 2028
CROWN SUPREME	4-2006-013659	October 13, 2008	October 13, 2028
CROWN EXTREME	4-2010-011168	February 24, 2011	February 24, 2031
CROWN HYDRO-PLUS	4-2014-00003801	August 7, 2014	August 7, 2024
CROWN HYDRO-FLEX	4-2014-00003802	August 7, 2014	August 7, 2024
CROWN HYDRO-TECH	4-2014-00003804	September 18, 2014	September 18, 2024
CROWN RED AND GREEN	4-2014-00004482	December 11, 2014	December 11, 2024
CROWN FUERZA	4-2014-00007463	February 12, 2015	February 12, 2025
CROWN SIGMA	4-2014-00007464	February 12, 2015	February 12, 2025
CROWN CorrWave	4-2017-011461	November 23, 2017	November 23, 2027
CROWN ClearBright	4-2017-011460	December 17, 2017	December 17, 2027
CROWN StrongRib	4-2017-011462	December 17, 2017	December 17, 2027
CROWN SmartRoof	4-2017-011464	December 17, 2017	December 17, 2027
CROWN TileTech	4-2017-011465	December 17, 2017	December 17, 2027
CROWN HeatProtect	4-2017-011463	April 26, 2018	April 26, 2028

The Company has a team that handles renewal of trade registrations.

DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

P&A audited the Company's financial statements for the year ended 31 December 2022. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Mr. John Endel Mata. Since the appointment of P&A in 2012, there has been no change in auditor and there was no event where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements, or auditing scope or procedure.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATION PERFORMANCE AND FINANCIAL CONDITION

FY 2022 versus 2021

1. Results of Operations

Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2022 compared to the Statement of Comprehensive Income for the period ended December 31, 2021 (increase/ decrease of 5.00% or more)

Gross Profit and Gross Profit Margin

Gross profit margin increased by 13% or by 63.46M from 478M in 2021 to P542M. This is due to the implemented price increases of Pipes and PPR products as well as decrease in the unit purchase price of major raw materials used in production.

Other Operating Expenses

A significant increase in operating expenses was noted at 27% or P50.95M from P190.10M in 2021 to P241.04M in 2022. Contributing to this material change is the increase in salaries of employees arising from promotion and annual salary adjustments, travel and fuels costs, commission and marketing expenses to boost sales.

Finance Cost

There was a 5% drop in finance cost due to the decrease in interest expense from our mortgage on vehicles and trucks. The mortgages have a 5-year term and were taken in the years 2018 and 2019. Full settlement will be in 2023 and 2024.

Foreign Exchange Gains - net

Foreign exchange gains decreased by 33% due to the decrease in the Company's dollar denominated sales transactions during the year while US Dollar strengthens its value.

Tax Expense

2022 tax expense increased by 8% or by 6.14M due to higher taxable income as compared in 2021. There were tax credits arising from the change in the corporate income tax rate in 2020 which was carried over to 2021 resulting to lower 2021 tax expense.

2. Financial Condition

Material Changes to the Statement of Financial Position as at December 31, 2022 compared to the Statement of Financial Position as at December 31, 2021 (increase/ decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents increased by 135% or by P146.40M from P108.63M in 2021 to P255.03M in 2022. The increase is driven by the improvements in collections from customers. Also, the cost of raw materials decreased thereby reducing the amounts paid to suppliers.

Trade and Other Receivables

Due to the improvements in customer collections, trade and other receivable decreased by 13% or P43.83M from P339.06 to P295.23M. Further, the company implemented a stricter credit evaluation for existing and new customers.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by 15% or by P21.34M from P137.92 in 2021 to

P116.58M in 2022 due to higher amount of input vat claimed and used against output vat during the year.

Right of Use Assets - Net

Right of use asset decreased by 12% or Php2.08M from Php16.84M to Php14.76M due to the monthly depreciation of right of use asset.

Post-Employment defined benefit asset

Retirement Asset increased by 59% or 1.73M from P2.94 to P4.67M. Based on the 2022 Actuarial Report for the Company's Employee Retirement Fund, it is overfunded by P4.67M. This was computed based on the financial assumption that the discount rate is at 7.22%.

Other Non-Current Assets

Other non-current assets decreased by 31% or Php5.70M from Php18.52M to Php12.82M. This is due to the receipt of goods paid in advance to suppliers.

Trade and Other Payables

Trade and other payables decreased by 31% or P97.30M from P311.80M to P214.50M due to the decrease in raw materials purchased during the year as well as the decline in the cost of raw materials.

Mortgage Payable-Current

Mortgage payable decreased by 12% or P0.26M from P2.25M to P1.99M due to a vehicle mortgage that will be fully settled in 2023.

Lease Liabilities

Lease liabilities increased by 21% or P0.76M from P3.57M to P4.33M. This is due to the renewal of two lease contracts with lease terms of 2 and 3 years in 2022. Under PFRS 16, all leases are considered as finance lease. The lease liability for the entire lease contract duration is immediately recognized and will be reduced by the amount of monthly amortization.

Income Tax Payable

Income Tax Payable increased by 98% due to higher taxable income in 2022 as compared to previous year. There was a tax credit arising from the change in the corporate income tax rate in 2020 which was applied in 2021 resulting to lower tax payable in 2021.

Mortgage Payable

Mortgage Payable decreased by 86% or P1.99M from P2.32M to P0.33M. This is due to the reclassification of mortgage payments to be made in the next 12 months to Mortgage Payable – Current. Also, these mortgages will be fully settled in 2023 and early 2024.

Retained Earnings

Retained Earnings increased by 23% or P167.83M from P715.73M to P883.56M as a result of the generated profit after tax during the year reduced by dividends paid last April 19, 2022 and June 19, 2022 totaling to Php61.06M.

3. Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	December 31, 2022	December 31, 2021
Current ratio	5.95 : 1.00	3.99 : 1.00
Acid test ratio	5.44 : 1.00	1.39 : 1.00
Book value per share	2.88	2.60

	SOLVENCY RATIOS	SOLVENCY RATIOS
Key Indicators	December 31, 2022	December 31, 2021
Debt to equity ratio	0.18 : 1.00	0.26 : 1.00
Asset to equity ratio	1.18 : 1.00	1.26 : 1.00
	PROFITABILITY RATIOS	PROFITABILITY RATIOS
Key Indicators	December 31, 2022	December 31, 2021
Earnings per share	0.37	0.37
Return on assets	11.02%	11.21%
Return on equity	13.00%	14.12%
Gross profit ratio	30.78%	27.49%
Net profit (after tax) ratio	13.00%	12.88%

Notes:

1. Current Ratio (Current Assets/Current Liabilities)
To test the Company's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
Measures the Company's ability to pay its short-term debts from its most liquid assets without relying on inventory.
3. Book Value per Share (Equity/Shares Outstanding)
Measures the amount of net assets available to stockholders of a given type of stock.
4. Debt to Equity Ratio (Total Liabilities/Total Equity)
Measures the amount of total assets provided by stockholders
5. Asset to Equity Ratio (Total Assets/Total Equity)
Shows the relationship of the total assets to the portion owned by the stockholders.
Indicates the Company's leverage, the amount of debt used to finance the firm.
6. Earnings per Share (Net Profit/Shares Outstanding)
Reflects the Company's earning capability.
7. Return on Assets (Net Profit/Average Total Assets)
Indicates whether assets are being used efficiently and effectively
8. Return on Equity (Net Profit/Average Total Equity)
Measures the ability of the company to generate profit from investment of stockholders
9. Gross Profit Ratio (Gross Profit/Revenues)
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)
Measures the percentage of net income to sales
11. As of the end 2022, there are no known trends or demands, commitments, events or uncertainties that would result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems.
12. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments and there are no known events that will trigger direct or contingent obligations that are material to the Company.
13. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have material impact on the continuing operations of the Company.
14. As of the end of 2022, there are no known trends, events, or uncertainties that would result or that are reasonably likely to result in having a material impact on the Company's sales.
15. There are no significant elements of income or loss which arise from the Company's continuing operations.
16. Causes for Material Changes from 2021 to 2022 were explained in detail in the management's discussion and analysis or plan of operations stated above.
17. There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

FY 2021 versus 2020

1. Results of Operations

Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2021 compared to the Statement of Comprehensive Income for the period ended December 31, 2020 (increase/ decrease of 5.00% or more)

Revenues

The Company ended the year of 2021 with total revenues of Php1.74B. This is Php0.62B or 55.75% higher as compared to the P1.12B generated revenues in 2020. Contributing 64.18% to this revenue growth is the performance of the Pipes Division wherein it increased its sales by 92.57% from P432.02 in 2020 to P831.95 in 2021. Furthermore, it surpassed its sale in 2019, the pre-pandemic year, by 73.21%.

Cost of Sales

Cost of sales increased by 63.48% from ₱0.77 billion in 2020 to ₱1.26 billion in 2021. This is due to the increase in sales volume as well as the increase in the price of its raw materials.

Gross Profit and Gross Profit Margin

Gross profit increased by ₱133.03 million or 38.5% from ₱345.54.40 million to ₱478.57 million.

Other Operating Expenses

Other operating expenses increased by ₱18.43 million or 7.87% from ₱171.67 million to ₱190.10 million. It must be noted that between March to May of 2020, the lockdown period, the Company has minimal to zero operations. Thus, there were operating and selling expense not incurred such as salaries, commissions, travel and transportation, and freight costs. In 2021, these costs were now consistently incurred and even increased due to the increase in sales.

Other Income (Charges)

In 2021, the Company reported Other Income amounting to ₱7.11 million. This improved by ₱7.69 million from a loss of ₱0.58 million in 2020. Driving this favorable change is the ₱5.94 million increase foreign exchange gains from its export sales transactions.

Tax Expense

Tax expense increased by ₱19.24 million or by 36.96% from ₱52.04 million to ₱71.28 million. This is due to the high growth in revenues arising from the increase demands for PVC products resulting to higher net profit before tax.

2. Financial Condition

Material Changes to the Statement of Financial Position as at December 31, 2021 compared to the Statement of Financial Position as at December 31, 2020 (increase/ decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents decreased by ₱79.56 million or 42.28% from P188.20 million to P108.63 million. This is due to the increased payments to suppliers arising from the increased purchases or raw materials to support the requirements of the Company's customers. This is also coupled with the rise in the cost of major raw materials. The Company also paid higher quarterly taxes this year as a result better performance in 2021.

Trade and Other Receivables

Trade and Other Receivables increased by P63.06M or 22.85% from P276.01M to P339.06M. This is primarily due to the 55.75% increase in sales net of improvements in customer collections.

Inventories

Inventory balances at the end of 2021 grew by ₱231.66 million or 49.37% from ₱469.23 million to ₱700.69 million. Purchases of raw materials increased during the year to beef up the requirements of production that will enable the Company to deliver customer orders. Also, there were price increases in major raw materials used in production.

Prepayments and Other Current Assets

Prepayments and other current assets increased by ₱31.34 million or 29.41% from ₱106.58 million to ₱137.92 million. This is due to the increase in input vat from purchase of raw materials and supplies.

Property, Plant and Equipment, net

The Company purchased machineries amounting to ₱39.95 million during the year to increase production capacity. Some of these assets were originally allocated to the Davao plant which was temporarily deferred due to mobilization limitations brought about by the pandemic. Also, the Company had its land properties revalued in 2021 thereby increasing its value by ₱119.10 million. These two are the reasons for the increase on the Company's Property, Plant and Equipment by ₱110.77 million or 19.57% from ₱566.03 million to ₱676.80 million.

Right of Use Assets - Net

Right of Use Assets - net decreased by ₱4.18 million or 4.18% from ₱21.02 million to ₱16.84 million due to the monthly recognition of depreciation expense.

Post-Employment defined benefit asset

The Company recognized Post-Employment Defined Benefit Asset amounting to ₱2.94 million in 2021 while in 2020, post-employment defined benefit liability was reported amounting to ₱48,856.00. During the year, the Company amended its retirement plan which resulted to an overfunding in the Company's Employee Retirement Fund. Thus, the recognition of post-employment defined benefit asset.

Other Non-Current Assets

Other non-current assets increased by ₱8.8 million or 92.23% from ₱9.63M to ₱18.52 million. This is due to the recognition of deferred input vat from its fixed asset purchases during the year.

Trade and Other Payables

Trade and other payables increased by ₱49.46 million or 18.85% from ₱262.34 million to ₱311.80 million. This is due to the increased purchases of raw materials.

Mortgage Payable-Current

Loans and Mortgage Payable-Current decreased by ₱0.23 million or 9.45% from ₱2.48 million to ₱2.25 million due to settlement of car loan amortization.

Deferred Tax Liabilities - net

Deferred Tax Liabilities - net increased by ₱22.36 million or 45% from ₱49.69 million to ₱72.05 million primarily due to the revaluation increment on land.

Retained Earnings

Retained Earnings increased by ₱210.57 million or 41.68%. This is due to Net Profit after tax generated during the year amounted to ₱224.31 million, reduced by the amount of cash dividends paid amounting to ₱13.74 million.

3. Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	December 31, 2021	December 31, 2020
Current ratio	3.99 : 1.00	3.66 : 1.00
Acid test ratio	1.39 : 1.00	1.63 : 1.00
Book value per share	2.60	2.09
SOLVENCY RATIOS		
Key Indicators	December 31, 2021	December 31, 2020
Debt to equity ratio	0.26 : 1.00	0.28 : 1.00
Asset to equity ratio	1.26 : 1.00	1.28 : 1.00
PROFITABILITY RATIOS		
Key Indicators	December 31, 2021	December 31, 2020
Earnings per share	0.37	0.20
Return on assets	11.21%	7.57%
Return on equity	14.12%	9.87%
Gross profit ratio	27.49%	30.92%
Net profit (after tax) ratio	12.88%	10.85%

Notes:

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

FY 2020 versus 2019

1. Results of Operations

Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2020 compared to the Statement of Comprehensive Income for the period ended December 31, 2019 (increase/ decrease of 5.00% or more)

Revenues

For the period ended December 31, 2020, revenues decreased from ₱1,433.40 million in 2019 to ₱1,117.69 million showing a decrease of 22.03%. This was due to the decrease in both domestic and export sales as a result of the government mandated lockdown and Enhanced Community Quarantine (ECQ) which commenced on March 17, 2020. The partial resumption of operations started only on the third week of May under General Community Quarantine (GCQ), with restrictive guidelines. GCQ remained in force up to this date. There was slow resumption of customer orders under uncertain business climate.

Cost of Sales

Cost of Sales decreased by 25.76%, with the decrease in Sales Revenues, from P1,040.01M to P772.15M.

Gross Profit and Gross Profit Margin

Gross profit decreased by P47.86 million or 12.17% from ₱393.40 million to ₱345.54 million.

Other Operating Expenses

Other operating expenses decreased by P14.67M or 7.87% from P186.34M to P171.67M. While minimal to zero selling and marketing expenses were incurred during ECQ months, there were fixed expenses recognized on the same period such as depreciation, rent, utilities and insurance premium amortization.

Other Income (Charges)

In 2020, Other Charges (–net) was P0.56 million compared with P14.71 million in 2019, primarily due to net foreign currency gain on purchase and payment on importations and there was no impairment loss incurred in 2020.

Tax Expense

Tax expense decreased by P3.89M or by 6.96% from P55.93M to P52.04M due to lower net profit before tax. Net Profit before tax decreased by P19.06M or 9.91% from P192.35M to P173.29M.

2. Financial Condition

Material Changes to the Statement of Financial Position as at December 31, 2020 compared to the Statement of Financial Position as at December 31, 2019 (increase/ decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents increased by P131.74M or 233.35% from P56.46M to P188.20M primarily due to lower purchases of raw materials and supplies.

Trade and Other Receivables

Trade and Other Receivables increased by P20.44M or 8% from P255.57M to P276.01M due to ECQ which affected business operations of customers resulting to deferment of collections and higher trade receivables as at period end.

This was also due to advance payments to suppliers for the importation of machineries and raw materials but goods were not yet received by the company as at period end.

Inventories

Inventories decreased by P26.76M or 5.39% from P495.99M to P469.23M. This was also due to lockdown and government safety guidelines against COVID-19 pandemic which resulted to lesser raw materials and supplies purchases, and minimal manufacturing operations even after the ECQ.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by P11.93M or 10.07% primarily due to lower input tax resulting from lesser purchases of raw materials and supplies.

Right of Use Assets - Net

Right of Use Assets - net decreased by P22.42M or 51.61% from P43.44M to P21.02M as a result of pre-termination of leases for Davao office and warehouse in January 2020 and lease modification for Davao plant in December 2020.

Other Non-Current Assets

Other non-current assets decreased by P2.32M or 19.40% from P11.95M to P9.63M due to amortization of deferred input tax balance on purchase of capital goods.

Trade and Other Payables

Trade and other payables decreased by P18.90M or 6.72% from P281.25M to P262.34M due to reduced raw materials purchases starting March.

Loans and Mortgage Payable-Current

Loans and Mortgage Payable-Current decreased by P0.68M or 21.49% from P3.16M to P2.48M due to settlement upon maturity.

Mortgage Payable-Non Current

Mortgage Payable-Non Current decreased by P2.39M or 34.37% from P6.95M to P4.56M due to settlement upon maturity.

Lease Liability - Current

Lease Liability-Current, arising from contract that contains lease relating to right of use assets, decreased by P1.15M or 24.99% from P4.62M to P3.47M resulting from amortization of financial lease.

Lease Liability - Non-Current

Lease Liability-Non-Current decreased by P20.33M or 51.38% from P39.56M to P19.24M due to pre-termination of leases for Davao office and warehouse and lease modification for Davao plant.

Post-Employment Benefit Obligation

Post-employment retirement payable decreased by P6.78M or 99.28% from P6.83M to P0.04M based on actuarial valuation by independent appraiser.

Deferred Tax Liabilities - net

Deferred Tax Liabilities - net increased by P2.62M or 5.56% from P47.07M to P49.68M primarily due to the provision for unrealized forex gain.

Treasury Stocks

Treasury Stocks transactions started in March 2019 with reference to the approved Share Buy-Back program of the company filed with the SEC on December 5, 2018. The amount of P41.10M was incurred for 20.16M shares as at its final closure on December 5, 2020.

Retained Earnings

Retained Earnings increased by P96.81M or 23.71% due to Net Profit after tax during the year, net of payment of cash dividend amounting to P24.44M.

3. Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	December 31, 2020	December 31, 2019
Current ratio	3.66 : 1.00	3.21 : 1.00
Acid test ratio	1.63 : 1.00	1.08 : 1.00
Book value per share	2.09	1.93
SOLVENCY RATIOS		
Key Indicators	December 31, 2020	December 31, 2019
Debt to equity ratio	0.28 : 1.00	0.33 : 1.00
Asset to equity ratio	1.28 : 1.00	1.33 : 1.00
PROFITABILITY RATIOS		
Key Indicators	December 31, 2020	December 31, 2019
Earnings per share	0.20	0.22
Return on assets	7.57%	9.46%
Return on equity	9.87%	12.11%
Gross profit ratio	30.92%	27.44%
Net profit (after tax) ratio	10.85%	9.52%

Notes:

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

8. Return on Equity (Net Profit/Average Total Equity)
Measures the ability of the company to generate profit from investment of stockholders
9. Gross Profit Ratio (Gross Profit/Revenues)
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)
Measures the percentage of net income to sales

2022 Plan of Operations

1. Growth with new product and geographic expansion
2. Broaden market segments
3. Expand capacity in Bulacan plant
4. Enhance Data Privacy and Cyber Security
5. Re-engineer Corporate Organization
6. Succession Planning
7. Upgrade logistics equipment
8. Upgrade production facilities, tools, equipment and accessories

FINANCIAL STATEMENTS

The Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Information Statement.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company common shares were listed at the PSE on 27 April 2015 and traded in the First Board.

Full year high and low prices from January 01, 2022 to December 31, 2022 are as follows:

High P 1.89
Low P 1.23

High and Low Sales Prices for the following Quarter end dates are:

Quarter	High	Low
1 st Quarter 2020	P1.92	P1.80
2 nd Quarter 2020	P2.00	P1.68
3 rd Quarter 2020	P2.00	P1.81
4 th Quarter 2020	P2.13	P1.80
1 st Quarter 2021	P2.51	P1.75
2 nd Quarter 2021	P1.94	P1.45
3 rd Quarter 2021	P1.89	P1.45
4 th Quarter 2021	P1.83	P1.64
1 st Quarter 2022	P1.89	P1.67
2 nd Quarter 2022	P1.84	P1.65
3 rd Quarter 2022	P1.81	P1.23
4 th Quarter 2022	P1.67	P1.33

As at 31 March 2023, based on the closing price of P1.58 per share, the market capitalization of the common shares of the Company was P964,809,620.00.

Total shares outstanding as of 31 March 2023 was 610,639,000 shares, with a par value of P1.00 per share.

As of **31 March 2023**, the High and Low Prices were at P1.58 and P1.55 with the Last Traded Price at P1.58.

The Top 20 shareholders of the Company* as of 31 March 2023** are as follows:

	Name	Number of Shares Held	% of Total Outstanding
1.	PCD Nominee Corporation	209,850,798	34.37%
2.	Walter H. Villanueva	70,920,000	11.61%
3.	Christie T. Perez	47,280,000	7.74%
4.	Nicasio T. Perez	47,280,000	7.74%
5.	Tita P. Villanueva	47,280,000	7.74%
6.	Derrick P. Villanueva	31,239,293	5.12%
7.	Sofia P. Po	25,640,000	4.20%
8.	Meda T. Perez	24,860,000	4.07%
9.	Oscar T. Perez	23,640,000	3.87%
10.	Gloria P. Go	23,640,000	3.87%
11.	Elizabeth P. Lee Villanueva	11,820,000	1.94%
12.	Warren Michael P. Lee Villanueva	3,940,000	0.65%
13.	Natalie Lee Villanueva Penaranda	3,940,000	0.65%
14.	Johanns Plana Lee Villanueva	3,940,000	0.65%
15.	Derrick P. Villanueva	3,689,000	0.60%
16.	Mark Peter T. Perez	3,564,422	0.58%
17.	Derrick P. Villanueva	3,183,000	0.52%
18.	Mariane Lourdes T. Perez	2,600,000	0.43%
19.	Marilene Angelina T. Perez	2,600,000	0.43%

20. Jefferson T. Sy

2,564,422

0.42%

*The Company issues only common shares

**As reported by the Stock Transfer Agent

Voting Rights

At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books of the Company at the time of closing of the transfer books for such meeting. The Company issued only one type of share, common shares, and all such common shares have equal voting rights.

Dividends and Dividend Policy

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ($\frac{2}{3}$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

On March 4, 2014, the Board of Directors of the Company approved its dividend policy wherein it shall distribute to its stockholders as dividends, whether cash, property or stock, at least ten percent (10.00%) of the Company's net income after tax for the previous fiscal year, subject to the provision of sufficient funds for the implementation of the Company's business plan, operating expenses and budget, appropriation for expansion projects (as applicable), lenders' requirements, appropriate reserves and applicable laws.

From 2020 to 2022, the Company declared cash dividends as follows:

Cash Dividend Payout: 2020 – 2022						
Year	Declaration Date	Record Date	Payment Date	Amount	Cash Dividends per Share	Dividend Payout Ratio
2020	May 29, 2020	June 26, 2020	July 22, 2020	24,443,640	₱0.04	17.92%
2021	May 7, 2021	May 25, 2021	June 15, 2021	13,739,378	₱0.0225	11.32%
2022	March 9, 2022	March 25, 2022	April 19, 2022	30,531,950	₱0.05	27.22%
		June 28, 2022	July 19, 2022	30,531,950		

Recent Sales of Unregistered or Exempt Securities

There were no sales of unregistered or exempt securities or issuances of securities constituting an exempt transaction under SRC Rule 10.1 within the past three (3) years.

DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the portion of this Information Statement on “Directors and Executive Officers.”

COMPLIANCE WITH THE MANUAL OF CORPORATE GOVERNANCE

The Company was listed at the PSE on 27 April 2015. The Company’s Integrated Annual Corporate Governance Report (I-ACGR) shall be submitted on or before 30 May 2023, in compliance with SEC Memorandum Circular No. 15 Series of 2017.

The Company complies with its Revised Manual on Corporate Governance by, among others, appointing duly qualified Compliance and Risk Management officers, appointment of three (3) qualified independent directors, appointment of members to the Audit, Board Risk Oversight, and Corporate Governance Committees, the regular conduct of Board and Committee meetings with the faithful adherence of its members to their respective Charters, the adoption and compliance by the Company to its Policy on Related Party Transactions, regular submission to the SEC of disclosures and reports as required by the Securities Regulation Code, etc. On 20 January 2023, in recognition of its good corporate governance practices, the Company was awarded a Golden Arrow Award by the Institute of Corporate Directors. The details of the Company’s compliance with corporate governance practices is discussed in its I-ACGR to be submitted on or before 30 May 2023.

For 2023, there were no cases involving disciplinary sanctions for violations of the Company’s Manual on Corporate Governance.

To apprise itself with the leading practices on corporate governance, the Company’s Board of Directors and top-level management attend and participate in corporate governance seminars conducted by institutions accredited by the SEC.

The Company, through its Corporate Governance Committee regularly reviews and audits itself to improve its corporate governance.

UNDERTAKING TO PROVIDE PRINTED COPIES OF THE INFORMATION STATEMENT AND ANNUAL REPORT

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY’S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

ATTY. JASON C. NALUPTA

Corporate Secretary

CROWN ASIA CHEMICALS CORPORATION RM 508 PRESIDENT TOWER,
81 TIMOG AVENUE, QUEZON CITY

Email: jcn@tvvlaw.com Tel No.: 632-413-8032 to 36

Fax No.: 632-413-8032 Loc. 111

DIRECTORS' ATTENDANCE REPORT (2022)

BOARD

Board	Name	No. of Meetings Held during the Year	No. of Meetings Attended	%
Chairman	Walter H. Villanueva	7	7	100.00%
Member	Tita P. Villanueva	7	7	100.00%
Member	Nicasio T. Perez	7	7	100.00%
Member	Derrick P. Villanueva	7	7	100.00%
Member	Eugene H. Villanueva	7	7	100.00%
Member	Hans T. Perez	7	7	100.00%
Member	Marie Therese G. Santos	7	7	100.00%
Member	Ernesto R. Alberto	7	7	100.00%
Member	Bede Lovell S. Gomez	5	5	100.00%
Member	Fernando S. Lopez	1	1	100.00%

Fernande S. Lopez replaced Bede Lovell S. Gomez after the latter's resignation due to assumption of a position with the Government Service Insurance System (GSIS).

AUDIT COMMITTEE

Members	No. of Meetings Held during the Year	No. of Meetings Attended	%
Marie Therese G. Santos	4	4	100.00%
Ernesto Maria R. Alberto	4	4	100.00%
Bede Lovell S. Gomez	4	4	100.00%
Nicasio T. Perez	4	4	100.00%
Eugene H. Lee Villanueva	4	4	100.00%

CORPORATE GOVERNANCE COMMITTEE

Members	No. of Meetings Held during the Year	No. of Meetings Attended	%
Bede Lovell S. Gomez	3	3	100.00%
Ernesto Maria R. Alberto	4	4	100.00%
Walter H. Villanueva	1	1	100.00%
Tita P. Villanueva	1	1	100.00%
Marie Therese G. Santos	4	4	100.00%
Derrick P. Villanueva	4	4	100.00%
Hans Joseph T. Perez	3	3	100.00%

RISK OVERSIGHT COMMITTEE

Members	No. of Meetings Held during the Year	No. of Meetings Attended	%
Ernesto Maria R. Alberto	4	4	100.00%
Marie Therese G. Santos	4	4	100.00%
Bede Lovell S. Gomez	3	3	100.00%
Walter H. Villanueva	1	1	100.00%
Hans Joseph T. Perez	4	4	100.00%
Derrick P. Villanueva	3	3	100.00%
Fernando S. Lopez	1	1	100.00%

Guidelines for Participating via Remote Communication and Voting in Absentia

The 2023 Annual Stockholders' Meeting (ASM) of Crown Asia Chemical Corporation (the "Company") will be held on 11 May 2023 at 3:00 P.M. and the Board of Directors of the Corporation has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on 31 March 2023 ("Record Date") as the record date for the determination of stockholders entitled to notice of, to attend, and to vote at such meeting and any adjournment thereof. In view of the continuing concerns on mass gatherings, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote in absentia or by proxy

REGISTRATION

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering until 01 May 2023, 5:00 p.m. via <https://www.crownpvc.com.ph/investors> and by submitting the following requirements and documents to corporatesecretary@crownpvc.com.ph, subject to verification and validation:

Individual Stockholders

- Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholder
- Stock certificate number
- Active e-mail address/es
- Active contact number/s, with area and country codes

Multiple Stockholders or with joint accounts

- Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholders
- Stock certificate number/s
- Active e-mail addresses of the stockholders
- Active contact numbers, with area and country codes
- Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account

Corporate Stockholders

- Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
- Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative
- Active e-mail address/es of the authorized representative
- Active contact number of an authorized representative, with area and country codes

- PCD Participants/Brokers
- Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker
- Digital copy of the certificate of shareholdings issued by the PCD/broker
- Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative
- Active e-mail address/es of the authorized representative
- Active contact number of the authorized representative, with area and country codes

ONLINE VOTING

Log-in to the voting portal by clicking the link, and using the log-in credentials, sent to the email address of the shareholder to the Company.

Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended to the Notice of Meeting.

A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button.

The stockholder can vote only once, after successful registration. Once submitted, the votes cast shall be considered final.

ASM LIVESTREAM

The ASM will be broadcasted live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will be sent to their emails upon registration.

OPEN FORUM

During the virtual meeting, after all items in the agenda have been discussed, the Company will have the Question and Answer Portion, during which, the meeting's moderator will read and where representatives of the Company shall answer questions and comments received from stockholders, as time will allow. Stockholders may send their questions in advance by sending an email bearing the subject "Questions for ASM 2023" to corporatesecretary@crownpvc.com.ph on or before 10:00 am on 11 May 2023. Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company via email

From: [ICTD Submission](#)
To: kim@tvvlaw.com
Subject: Re: CROWN ASIA CHEMICALS CORPORATION (SEC Form 17-A and Sustainability Report)
Date: Wednesday, March 22, 2023 2:33:06 PM

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at <https://secexpress.ph/>. Or you may call 8737-8888 for further clarifications.

NOTICE

Please be informed that selected reports should be filed through **ELECTRONIC FILING AND SUBMISSION TOOL (EFAST)**. <https://cifss-ost.sec.gov.ph/user/login>

such as: **AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)**

Further, pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in **PORTABLE DOCUMENT FORMAT (PDF)** Secondary Reports such as:

17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

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

<https://apps010.sec.gov.ph>

For your information and guidance.

Thank you and keep safe.

COVER SHEET

1 5 9 9 5 0

S.E.C. Registration Number

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

C O R P O R A T I O N .

(Company's Full Name)

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

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

TITA P. VILLANUEVA

8 2 8 3 8 7 1 9

Contact Person

Company Telephone Number

1 2 3 1

SEC FORM 17-A

0 5 1 1

Month Day

FORM TYPE

Month Day

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

6 6

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year: December 31, 2022
2. SEC Identification number: 159950
3. BIR Tax Identification No: 025-240-902-000
4. Exact name of issuer as specified in its charter: **CROWN ASIA CHEMICALS CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: Metro Manila
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: Km 33 Mc Arthur Highway Bo. Tuktukan Guiguinto, Bulacan

Postal Code: 3015

8. Issuer's telephone number, including area code: (632) 3412-06-39 to 41
9. Former name, former address and former fiscal year, if changed since last report: Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Common stock

Number of shares of common
stock outstanding

610,639,000

Amount of Debt Outstanding
as of December 31, 2022

P316,375,655

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

Yes [/] No []

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

The Philippine Stock Exchange, Inc.

Total of 610,639,000 common shares with par value of P1.00 per share

12. Indicate by check mark whether the registrant:

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

Yes ☐ / ☐ No ☐ ☐

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

Yes ☐ / ☐ No ☐ ☐

13. Aggregate value of the voting stock held by public:

The aggregate market value of the voting stock held by non-affiliates for 306,439,755 (public shares) as of December 31, 2022, computed based on the closing share price of P 1.55 per share as of December 31, 2022 is P474,981,620.25.

TABLE OF CONTENTS

PART I—BUSINESS AND GENERAL INFORMATION	4
Item 1. Business	4
Item 2. Properties	10
Item 3. Legal Proceedings	12
Item 4. Submission Matters to a Vote of Security Holders	12
PART II – OPERATIONAL AND FINANCIAL INFORMATION	13
Item 5. Market for Issuer’s Common Equity and Related Stockholders Matters---	13
Item 6. Management’s Discussion and Analysis	14
Item 7. Financial Statements	26
Item 8. Information on Independent Accountant and Other Related Matters ----	26
PART III – CONTROL AND COMPENSATION INFORMATION	27
Item 9. Directors and Executive Officers of the Issuer	27
Item 10. Executive Compensation	33
Item 11. Security Ownership of Certain Beneficial Owners and Management -----	34
Item 12. Certain Relationships and Related Transactions	36
PART IV – CORPORATE GOVERNANCE	37
Item 13. Compliance with Leading Practice on Corporate Governance -----	37
PART V – EXHIBITS AND SCHEDULES	37
Item 14. Exhibits and Reports on SEC Form 17-C	37
INDEX TO FINANCIAL STATEMENTS	38
SIGNATURE	39

PART I—BUSINESS AND GENERAL INFORMATION

Item 1. Business

The Company was incorporated and registered with the SEC on February 10, 1989 as Crown Asia Compounders Corporation. On September 29, 2014, the SEC approved the change of the Company's name to "Crown Asia Chemicals Corporation". Its primary purpose is to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail such goods as; plastic and/or synthetic resins and compounds and other allied or related products/goods of same/similar nature, and any and all equipment, materials supplies used or employed in or related to the manufacture of such products. Its registered address and principal place of business is at Km. 33 MacArthur Highway, Bo. Tuktukan, Guiginto, Bulacan, Philippines.

The Company started commercial operations in 1990 with the trading of imported PE compounds and paraffin waxes. In the same year, the Company started the production and sales of PVC compounds at its plant in Guiginto, Bulacan.

Capitalizing on its expertise in PVC formulation, CROWN expanded downstream into the manufacture of industrial plastic pipes under the CROWN[®] pipes brand for electrical, sanitary, potable water, and telecommunications applications.

In 1998, the Company began the production of unplasticized PVC flexible electrical pipes. Soon after, the Company's range of product lines expanded further with the introduction of PVC electrical conduit pipes and potable water pipes in 2000, and sanitary pipes and fittings in 2002.

In 2003, CROWN saw the opportunity to expand the application of its PVC compounds beyond wires and cables. It started to develop and market PVC compounds for use in packaging, IC tubes, films and bottles, as well as door and window profiles.

The Company also has expanded its lines to include pressure main distribution pipes and telecommunication conduit pipes in 2006.

On April 27, 2015, Crown Asia Chemicals Corporation was listed at the Philippine Stock Exchange (PSE).

In August 2015, the Company started testing the manufacture of PPR and HDPE pipe products.

In February 2016, the Company started manufacturing its Enduro pipes.

Production of the company's PVC roofing commenced on October 2017 and started supplying projects in December 2017.

In 2018, the Company acquired ISO 9001-2015 for its Compounds and Pipes Divisions. It was also the year the company was listed by PSE as Shariah-compliant company.

In December 2018, the Board approved a P100million shares buy-back program for a period of up two (2) years, whichever comes first.

Moreover, the company was cited by Financial Times as Top 1,000 High-Growth companies in the Asia-Pacific Region in 2018 and 2019.

In 2020, the Company was also recognized by Forbes as one of the “200 Best Under a Billion” in Asia Pacific Region.

In December 2020, the Board concluded the shares buy-back program. Total of 20,161,000 shares were repurchased by the company.

In 2021, the CAC brand was introduced to the market for clean and comfort essentials which includes water closets, lavatories, bathroom faucets, and other accessories such as shower sets, bidets, towel racks and paper holders.

In the same year, the Company was cited as one of the Philippine’s Growth Champions by The Philippine Daily Inquirer and Statista.

PRODUCT LINES

1. PVC Compounds

a. Wires and Cables

CROWN’s Wire and Cable PVC compounds are developed to comply with PNS and International Standards like Restriction of Hazardous Substances (“RoHS”). CROWN has been able to provide high standard PVC compounds for specific applications including flame retardant compounds, high insulation resistance compounds, CT-rated and low smoke emitting compounds and sunlight/UV resistant compounds.

b. IC Tubes

CROWN’s IC Tube PVC compounds are specially designed to protect IC chips.

c. Films

CROWN’s Film PVC compounds are developed for cap seals, shrink films, labels, footwear, bottles and other packaging applications.

2. PVC Pipes and Fittings

a. Crown Blue

Crown Blue is the Company's PVC potable pipes and fittings. The Company's potable pipes and fittings are assured to be extra strong and safe, high pressure resistant, non-corrosive, has smooth internal and external surfaces, and made from 100.00% virgin materials.

b. Crown Electrical

Crown Electrical is the Company's line for PVC electrical conduit pipes. The Company's electrical conduit pipes are assured to be self-extinguishing, highly flame-retardant, has excellent insulation resistance properties, uniform wall thickness, diameter, and color, smooth interior and exterior surfaces, and made from 100.00% virgin materials.

The Company offers two (2) types of electrical pipes, namely the Crown Supreme, which is the high impact thick wall electrical pipe, and Crown Hi-Tech, which is the thin wall electrical pipe.

c. Crownflex

Crownflex is the Company's line for PVC flexible electrical pipes. The Company's flexible pipes are UV protected, characterized by its strength, convenience, flexibility, and high safety standard, especially against weather elements. It has uniform wall thickness and diameter and is impact and crash-resistant. It is made with high grade PVC material, self-extinguishing, highly resistant to flame, and has uniform material distribution to avoid breakage.

d. Crown Sanitary

Crown Sanitary is the Company's line for Drain-Waste-Vent ("DWV") PVC sanitary pipe. The Company's DWV sanitary pipes are UV protected, characterized by its durability and quality, especially against weather elements. These pipes are available in three (3) categories, namely Series 500, which is thin wall, Series 600, which follows ASTM, and Series 1000, which also follows ASTM.

e. Crown Pressure Main Blue and Wide-diameter Pipes

The Company's PVC pipe product used for high pressure waterworks, irrigation, and infrastructures. In buildings, it is the conduit by which water source from the government passes into the building reservoir or pipelines.

f. Crown Telecom

The Company's PVC pipe product used as conduit by which telecommunications wiring passes through to reach the telecom outlet site.

g. Crown Universal

Crown Universal is the Company's multi-purpose PVC pipe with thin wall. These pipes do not conform to BPS standards and are intended for temporary usage during the early stages of construction. These pipes are lower priced but are yet characterized by its strength and durability.

h. Enduro Pipes

Durable pipes for the economically sensitive consumers for affordable housing projects.

3. HDPE Pipes and Fittings

CROWN HDPE is characterized by its toughness and flexibility, chemical resistance with thermal properties, weather and environmental stress resistance, non-corrosive properties, and high flow capacities.

The Company's brands under its HDPE pipe products are CROWN Fuerza with a PE 100 designation and CROWN Sigma with PE 80. These designations are based on the long-term strength of its materials, known as the minimum strength requirement (MSR).

4. PP-R Pipes and Fittings

PP-Rs or Polypropylene random copolymers are thermoplastic resins produced through the polymerization of propylene, with ethylene links introduced in the polymer chain. Because of its chemical features and fusion welding, PP-Rs are most reliable in plumbing and water supply plants, and ensures a substantially better seal tight system. They are also eco-friendly with no heavy metal content such as lead.

Crown Asia Chemicals Corporation is the first in the Pipe Industry to produce full range of PPR fittings.

5. PVC ROOF MATERIALS

The Crown Roofing is high impact-resistant and has the strength and durability that can withstand tough loads, will not easily flatten, get distorted, crack or break. It successfully passed both the impact resistance and flattening tests performed by QA engineering in line with accepted industry standards.

It is built with UV Protection, an important component that prevents premature aging, weakens the roofing material and cause brittleness. Climate variability exacerbate material degradation by increased dosage of harmful ultra-violet rays. Moreover, it is highly resistant to extreme weather conditions and will not crack or disintegrate when exposed to chemical compounds like acetone.

This contemporary roofing material is non-corrosive and do not rust, making them ideal for structures in areas near or by the sea. Their versatile applications cover commercial, industrial and manufacturing structures such as factories, warehouses, wharfs and seaports.

Crown responds to the country's housing needs and infrastructure development by providing an all-weather, cool roofing solution. The brand produces three roofing profiles, namely, corrugated, rib and tile types, in commercial lengths of 8, 10 and 12 feet. Volume requirements for long span cool roof in transportable length are accepted by special order.

Management of Key Risks related to the Company

Risks relating to the Company and its Business

- **Raw Material Cost and Availability**

The Company's margins depend on the selling prices that the Company is able to charge for its products and the costs of the raw materials and other inputs that it requires to produce these products. The primary raw materials that the Company utilizes in the manufacture of its products include PVC resins, polymers, stabilizers, and plasticizers. The prices of these primary raw materials represent a substantial portion of the Company's manufacturing costs. The prices of these raw materials are influenced by factors that the Company cannot control, such as market conditions, general global economic conditions, production capacity in the markets, production constraints on the part of the Company's suppliers, fluctuations in oil or other commodity prices, infrastructure failures, political conditions, weather conditions, regulations and other factors.

To protect itself against adverse movements in the prices of raw materials, the Company maintains a raw materials inventory equivalent to around 45-60 days of production. In the event that any of the Company's suppliers is subject to a major production disruption or is unable to meet its obligations under existing supply arrangements, the Company can purchase such inputs from any of its other accredited local and foreign suppliers that the Company had already dealt with in the past. The Company also has a list of approved alternative materials that can substitute the raw materials it currently uses.

- **Operating or Process Failures and Quality Assurance**

PVC pipes dominate the plastic pipes market with significant application in the construction and building industry. Given the increasing competition in plastic pipes market, the quality of the products will need to adhere to certain standards to ensure its reliability and effectiveness, such as ISO and BPS.

Any problems that the Company may incur in relation to the quality of its products can affect how the Company's customers perceive its products. This situation could have a material adverse effect on the Company's business, operations, and financial condition.

The Company has established quality assurance and control procedures for both its Compounds and Pipes Groups. It has dedicated quality assurance laboratories and competent and professional staff for each of its quality assurance departments in the Compounds and Pipes Group. In addition, for its Pipes Group, CROWN pipes undergo additional testing externally through the project-clients' technical consultants and/or accredited independent laboratories.

In the Company's continuing commitment to maintain the highest level of quality in its operations and products, the Company owns and continues to update its ISO certifications, certifying that CROWN operates a quality management system that has been assessed as conforming to ISO 9001:2008 for the manufacture and distribution of both compounds and PVC products. The company's Compounds Division and Pipe Group are already assessed as conforming to ISO 9001:2015.

- **Power Shortages**

The Company has been relying primarily on mainstream power for the production of compounds, PVC pipes, PPR/HDPE pipes and PVC roof materials that requires a significant amount of stable power load for its operations.

Any downtime of the Company's operations over an extended period, due to power interruptions, would have adverse effect on the Company's business, operations, and financial condition.

At present, the Company has a standby generator set to partially address the prospective power shortage that will affect the country.

- **Imitation or Infringement of the Company's Intellectual Property Rights**

In the event that the Company's trademarks under license are imitated or otherwise infringed, the Company's reputation and business may be adversely affected.

The Company has its legal team that can handle any infringement and take legal action should a litigation matter arise. Furthermore, the Intellectual Property Office closely coordinates with the National Bureau of Investigation (NBI), which apprehends infringement violators, thus the Company believes that infringement cases, if any, can be easily resolved.

Risks relating to the Philippines

- **Change in Political or Social Instability in the Philippines**

The Philippines has from time to time experienced political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business.

The Philippines has a presidential system that changes the country's chief executive every six (6) years which may cause changes in the political, economic and social policies.

- **Occurrence of Natural Calamities**

The Philippines has experienced a significant number of major natural calamities over the years, including typhoons, volcanic eruptions and earthquakes.

The Company completed its flood control system in the Bulacan plant to ensure that production will not be disrupted and assets and inventories will be protected.

Item 2. Properties

The Company owns the following properties in Bulacan and Valenzuela covered by individual tax declarations.

Lands

Tax Declaration Number	Location	Area	Classification
2018-09014-01623	Bulacan	5,462.00 sq.m	Industrial
2018-09014-01624	Bulacan	892.00 sq.m.	Industrial
2018-09014-01626	Bulacan	3,214.00 sq.m.	Industrial
2018-09014-01628	Bulacan	6,415.00 sq.m.	Industrial
2018-09014-01634	Bulacan	2,888.00 sq.m.	Industrial
2018-09014-01704	Bulacan	11,935.00 sq.m.	Industrial
E-027-00381	Valenzuela	5,052 sq.m.	Industrial

Buildings and Improvements

Tax Declaration Number	Location	Area	Classification
2018-09014-01625	Bulacan	140.00 sq.m.	Industrial
2018-09014-01627	Bulacan	2,184.00 sq.m.	Industrial
2018-09014-01629	Bulacan	1,150.50 sq.m.	Industrial
2018-09014-01635	Bulacan	1,980.00 sq.m.	Industrial
2018-09014-01636	Bulacan	500.00 sq.m.	Industrial/Residential
2018-09014-01705	Bulacan	2,835.00 sq.m.	Industrial
2018-09014-01706	Bulacan	468.00 sq.m.	Industrial
2018-09014-01707	Bulacan	3,276.00 sq.m.	Industrial
E-027-00344	Valenzuela	3,505.80 sq.m.	Industrial

The properties (lands, buildings and improvements) are neither subject of any mortgage, lien, or encumbrance nor limitations on its ownership or usage.

Trademarks and Copyrights

The Company has various trademarks registered with the Intellectual Property Office, as follows:

CROWN's Trademarks Under License			
Registered Trademark	Registration Number	Date of Registration	Valid Until
TECHNOVINYL & CROWN DEVICE WITHIN THE CIRCLE	4-1997-123430	February 10, 2003	February 10, 2023
HI TECH WITH CROWN LOGO	4-2005-006473	October 23, 2006	October 23, 2026
PETROVIN & CROWN DEVICE	4-2006-010314	July 30, 2007	July 30, 2027
CROWN UNIVERSAL	4-2006-013658	August 13, 2007	August 13, 2027
ENDURO WITH CROWN DEVICE	4-2006-012499	August 20, 2007	August 20, 2027
CROWN	4-2006-013655	August 11, 2008	August 11, 2028
CROWN BLUE	4-2006-013656	August 11, 2008	August 11, 2028
CROWN FLEX	4-2006-013657	August 11, 2008	August 11, 2028
CROWN SUPREME	4-2006-013659	October 13, 2008	October 13, 2028
CROWN EXTREME	4-2010-011168	February 24, 2011	February 24, 2031
CROWN HYDRO-PLUS	4-2014-00003801	August 7, 2014	August 7, 2024
CROWN HYDRO-FLEX	4-2014-00003802	August 7, 2014	August 7, 2024
CROWN HYDRO-TECH	4-2014-00003804	September 18, 2014	September 18, 2024
CROWN RED AND GREEN	4-2014-00004482	December 11, 2014	December 11, 2024
CROWN FUERZA	4-2014-00007463	February 12, 2015	February 12, 2025
CROWN SIGMA	4-2014-00007464	February 12, 2015	February 12, 2025
CROWN CorrWave	4-2017-011461	November 23, 2017	November 23, 2027
CROWN ClearBright	4-2017-011460	December 17, 2017	December 17, 2027
CROWN StrongRib	4-2017-011462	December 17, 2017	December 17, 2027
CROWN SmartRoof	4-2017-011464	December 17, 2017	December 17, 2027
CROWN TileTech	4-2017-011465	December 17, 2017	December 17, 2027
CROWN HeatProtect	4-2017-011463	April 26, 2018	April 26, 2028

The Company has a team that handles renewal of trade registrations.

Item 3. Legal Proceedings

There are no pending legal proceedings to which the Company is a party or of which any of its properties is the subject up to the time of the preparation of this report.

Involvement in Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to this date of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 4. Submission Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

1. The Company common shares were listed at the Philippine Stock Exchange (PSE) on April 27, 2015 and traded in the First Board.

Full year high and low prices from January 01, 2022 to December 31, 2022 are as follows:

High	P 1.89
Low	P 1.23

As at December 31, 2022, based on closing price of P 1.69 per share, the market capitalization of the common shares of the company was P 1,031,979,910.00

2. Total shares outstanding as of December 31, 2022 was 610,639,000 shares with a par value of P 1.00 per share.
3. The top 15 shareholders as of the same date are:

Name	Number of Shares Held	% to Total Outstanding
1. PCD Nominee – Filipino	205,986,796	33.73%
2. Walter H. Villanueva	70,920,000	11.61%
3. Christie T. Perez	49,744,422	8.15%
4. Nicasio T. Perez	47,280,000	7.74%
5. Tita P. Villanueva	47,280,000	7.74%
6. Derrick P. Villanueva	39,086,293	6.40%
7. Sofia P. Po	25,640,000	4.20%
8. Meda T. Perez	24,860,000	4.07%
9. Gloria P. Go	23,672,211	3.88%
10. Oscar T. Perez	23,640,000	3.87%
11. Elizabeth P. Lee Villanueva	12,436,105	2.04%
12. Natalie Lee Villanueva Penaranda	4,143,004	0.68%
13. Johanns Plana. Lee Villanueva	4,143,004	0.68%
14. Warren Michael P. Lee Villanueva	3,940,000	0.65%
15. PCD Nominee - Non Filipino	3,864,002	0.63%

Dividends and Dividend Policy

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ($\frac{2}{3}$) of the outstanding

capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

On March 4, 2014, the Board of Directors of the Company approved its dividend policy wherein it shall distribute to its stockholders as dividends, whether cash, property or stock, at least ten percent (10.00%) of the Company's net income after tax for the previous fiscal year, subject to the provision of sufficient funds for the implementation of the Company's business plan, operating expenses and budget, appropriation for expansion projects (as applicable), lenders' requirements, appropriate reserves and applicable laws.

From 2020 to 2022, the Company declared cash dividends as follows:

Cash Dividend Payout: 2020 – 2022						
Year	Declaration Date	Record Date	Payment Date	Amount	Cash Dividends per Share	Dividend Payout Ratio
2020	May 29, 2020	June 26, 2020	July 22, 2020	24,443,640	₱0.04	17.92%
2021	May 7, 2021	May 25, 2021	June 15, 2021	13,739,378	₱0.0225	11.32%
2022	March 9, 2022	March 25, 2022	April 19, 2022	30,531,950	₱0.05	27.22%
		June 28, 2022	July 19, 2022	30,531,950		

Item 6. Management's Discussion and Analysis of Results of Operations and Financial Condition

FY 2022 versus 2021

1. Results of Operations

Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2022 compared to the Statement of Comprehensive Income for the period ended December 31, 2021 (increase/ decrease of 5.00% or more)

Gross Profit and Gross Profit Margin

Gross profit margin increased by 13% or by 63.46M from 478M in 2021 to P542M. This is due to the implemented price increases of Pipes and PPR products as well as decrease in the unit purchase price of major raw materials used in production.

Other Operating Expenses

A significant increase in operating expenses was noted at 27% or P50.95M from P190.10M in 2021 to P241.04M in 2022. Contributing to this material change is the increase in salaries of employees arising from promotion and annual salary adjustments, travel and fuels costs, commission and marketing expenses to boost sales.

Finance Cost

There was a 5% drop in finance cost due to the decrease in interest expense from our mortgage on vehicles and trucks. The mortgages have a 5-year term and were taken in the years 2018 and 2019. Full settlement will be in 2023 and 2024.

Foreign Exchange Gains - net

Foreign exchange gains decreased by 33% due to the decrease in the Company's dollar denominated sales transactions during the year while US Dollar strengthens its value.

Tax Expense

2022 tax expense increased by 8% or by 6.14M due to higher taxable income as compared in 2021. There were tax credits arising from the change in the corporate income tax rate in 2020 which was carried over to 2021 resulting to lower 2021 tax expense.

2. Financial Condition

Material Changes to the Statement of Financial Position as at December 31, 2022 compared to the Statement of Financial Position as at December 31, 2021 (increase/decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents increased by 135% or by P146.40M from P108.63M in 2021 to P255.03M in 2022. The increase is driven by the improvements in collections from customers. Also, the cost of raw materials decreased thereby reducing the amounts paid to suppliers.

Trade and Other Receivables

Due to the improvements in customer collections, trade and other receivable decreased by 13% or P43.83M from P339.06 to P295.23M. Further, the company implemented a stricter credit evaluation for existing and new customers.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by 15% or by P21.34M from P137.92 in 2021 to P116.58M in 2022 due to higher amount of input vat claimed and used against output vat during the year.

Right of Use Assets - Net

Right of use asset decreased by 12% or Php2.08M from Php16.84M to Php14.76M due to the monthly depreciation of right of use asset.

Post-Employment defined benefit asset

Retirement Asset increased by 59% or 1.73M from P2.94 to P4.67M. Based on the 2022 Actuarial Report for the Company's Employee Retirement Fund, it is overfunded by P4.67M. This was computed based on the financial assumption that the discount rate is at 7.22%.

Other Non-Current Assets

Other non-current assets decreased by 31% or Php5.70M from Php18.52M to Php12.82M. This is due to the receipt of goods paid in advance to suppliers.

Trade and Other Payables

Trade and other payables decreased by 31% or P97.30M from P311.80M to P214.50M due to the decrease in raw materials purchased during the year as well as the decline in the cost of raw materials.

Mortgage Payable-Current

Mortgage payable decreased by 12% or P0.26M from P2.25M to P1.99M due to a vehicle mortgage that will be fully settled in 2023.

Lease Liabilities

Lease liabilities increased by 21% or P0.76M from P3.57M to P4.33M. This is due to the renewal of two lease contracts with lease terms of 2 and 3 years in 2022. Under PFRS 16, all leases are considered as finance lease. The lease liability for the entire lease contract duration is immediately recognized and will be reduced by the amount of monthly amortization.

Income Tax Payable

Income Tax Payable increased by 98% due to higher taxable income in 2022 as compared to previous year. There was a tax credit arising from the change in the corporate income tax rate in 2020 which was applied in 2021 resulting to lower tax payable in 2021.

Mortgage Payable

Mortgage Payable decreased by 86% or P1.99M from P2.32M to P0.33M. This is due to the reclassification of mortgage payments to be made in the next 12 months to Mortgage Payable – Current. Also, these mortgages will be fully settled in 2023 and early 2024.

Retained Earnings

Retained Earnings increased by 23% or P167.83M from P715.73M to P883.56M as a result of the generated profit after tax during the year reduced by dividends paid last April 19, 2022 and June 19, 2022 totaling to Php61.06M.

3. Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	December 31, 2022	December 31, 2021
Current ratio	5.95 : 1.00	3.99 : 1.00
Acid test ratio	5.44 : 1.00	1.39 : 1.00
Book value per share	2.88	2.60
SOLVENCY RATIOS		
Key Indicators	December 31, 2022	December 31, 2021
Debt to equity ratio	0.18 : 1.00	0.26 : 1.00
Asset to equity ratio	1.18 : 1.00	1.26 : 1.00
PROFITABILITY RATIOS		
Key Indicators	December 31, 2022	December 31, 2021
Earnings per share	0.37	0.37
Return on assets	11.02%	11.21%
Return on equity	13.00%	14.12%
Gross profit ratio	30.78%	27.49%
Net profit (after tax) ratio	13.00%	12.88%

Notes:

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

10. Net Profit Ratio (Net Profit/Revenues)
Measures the percentage of net income to sales

FY 2021 versus 2020

1. Results of Operations

Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2021 compared to the Statement of Comprehensive Income for the period ended December 31, 2020 (increase/ decrease of 5.00% or more)

Revenues

The Company ended the year of 2021 with total revenues of Php1.74B. This is Php0.62B or 55.75% higher as compared to the P1.12B generated revenues in 2020. Contributing 64.18% to this revenue growth is the performance of the Pipes Division wherein it increased its sales by 92.57% from P432.02 in 2020 to P831.95 in 2021. Furthermore, it surpassed its sale in 2019, the pre-pandemic year, by 73.21%.

Cost of Sales

Cost of sales increased by 63.48% from ₱0.77 billion in 2020 to ₱1.26 billion in 2021. This is due to the increase in sales volume as well as the increase in the price of its raw materials.

Gross Profit and Gross Profit Margin

Gross profit increased by ₱133.03 million or 38.5% from ₱345.54.40 million to ₱478.57 million.

Other Operating Expenses

Other operating expenses increased by ₱18.43 million or 7.87% from ₱171.67 million to ₱190.10 million. It must be noted that between March to May of 2020, the lockdown period, the Company has minimal to zero operations. Thus, there were operating and selling expense not incurred such as salaries, commissions, travel and transportation, and freight costs. In 2021, these costs were now consistently incurred and even increased due to the increase in sales.

Other Income (Charges)

In 2021, the Company reported Other Income amounting to ₱7.11 million. This improved by ₱7.69 million from a loss of ₱0.58 million in 2020. Driving this favorable change is the ₱5.94 million increase foreign exchange gains from its export sales transactions.

Tax Expense

Tax expense increased by ₱19.24 million or by 36.96% from ₱52.04 million to ₱71.28 million. This is due to the high growth in revenues arising from the increase demands for PVC products resulting to higher net profit before tax.

2. Financial Condition

Material Changes to the Statement of Financial Position as at December 31, 2021 compared to the Statement of Financial Position as at December 31, 2020 (increase/decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents decreased by ₱79.56 million or 42.28% from P188.20 million to P108.63 million. This is due to the increased payments to suppliers arising from the increased purchases of raw materials to support the requirements of the Company's customers. This is also coupled with the rise in the cost of major raw materials. The Company also paid higher quarterly taxes this year as a result of better performance in 2021.

Trade and Other Receivables

Trade and Other Receivables increased by P63.06M or 22.85% from P276.01M to P339.06M. This is primarily due to the 55.75% increase in sales net of improvements in customer collections.

Inventories

Inventory balances at the end of 2021 grew by ₱231.66 million or 49.37% from ₱469.23 million to ₱700.69 million. Purchases of raw materials increased during the year to beef up the requirements of production that will enable the Company to deliver customer orders. Also, there were price increases in major raw materials used in production.

Prepayments and Other Current Assets

Prepayments and other current assets increased by ₱31.34 million or 29.41% from ₱106.58 million to ₱137.92 million. This is due to the increase in input vat from purchase of raw materials and supplies.

Property, Plant and Equipment, net

The Company purchased machineries amounting to P39.95 million during the year to increase production capacity. Some of these assets were originally allocated to the Davao plant which was temporarily deferred due to mobilization limitations brought about by the pandemic. Also, the Company had its land properties revalued in 2021 thereby increasing its value by P119.10 million. These two are the reasons for the increase on the Company's Property, Plant and Equipment by ₱110.77 million or 19.57% from ₱566.03 million to ₱676.80 million.

Right of Use Assets - Net

Right of Use Assets - net decreased by ₱4.18 million or 4.18% from ₱21.02 million to ₱16.84 million due to the monthly recognition of depreciation expense.

Post-Employment defined benefit asset

The Company recognized Post-Employment Defined Benefit Asset amounting to ₱2.94 million in 2021 while in 2020, post-employment defined benefit liability was reported amounting to P48,856.00. During year, the Company amended its retirement plan which resulted to an overfunding in the Company's Employee Retirement Fund. Thus, the recognition of post-employment defined benefit asset.

Other Non-Current Assets

Other non-current assets increased by P8.8 million or 92.23% from P9.63M to P18.52 million. This is due to the recognition of deferred input vat from its fixed asset purchases during the year.

Trade and Other Payables

Trade and other payables increased by P49.46 million or 18.85% from P262.34 million to P311.80 million. This due to the increased purchases of raw materials.

Mortgage Payable-Current

Loans and Mortgage Payable-Current decreased by P0.23 million or 9.45% from P2.48 million to P2.25 million due to settlement of car loan amortization.

Deferred Tax Liabilities - net

Deferred Tax Liabilities - net increased by P22.36 million or 45% from P49.69 million to P72.05 million primarily due to the revaluation increment on land.

Retained Earnings

Retained Earnings increased by P210.57 million or 41.68%. This is due to Net Profit after tax generated during the year amounted to P224.31 million, reduced by the amount of cash dividends paid amounting to P13.74 million.

3. Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	December 31, 2021	December 31, 2020
Current ratio	3.99 : 1.00	3.66 : 1.00
Acid test ratio	1.39 : 1.00	1.63 : 1.00
Book value per share	2.60	2.09
	SOLVENCY RATIOS	SOLVENCY RATIOS

Key Indicators	December 31, 2021	December 31, 2020
Debt to equity ratio	0.26 : 1.00	0.28 : 1.00
Asset to equity ratio	1.26 : 1.00	1.28 : 1.00
	PROFITABILITY RATIOS	PROFITABILITY RATIOS
Key Indicators	December 31, 2021	December 31, 2020
Earnings per share	0.37	0.20
Return on assets	11.21%	7.57%
Return on equity	14.12%	9.87%
Gross profit ratio	27.49%	30.92%
Net profit (after tax) ratio	12.88%	10.85%

Notes:

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

FY 2020 versus 2019

1. Results of Operations

Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2020 compared to the Statement of Comprehensive Income for the period ended December 31, 2019 (increase/ decrease of 5.00% or more)

Revenues

For the period ended December 31, 2020, revenues decreased from ₱1,433.40 million in 2019 to ₱ 1,117.69 million showing a decrease of 22.03% This was due to the decrease in both domestic

and export sales as a result of the government mandated lockdown and Enhanced Community Quarantine (ECQ) which commenced on March 17, 2020. The partial resumption of operations started only on the third week of May under General Community Quarantine (GCQ), with restrictive guidelines. GCQ remained in force up to this date. There was slow resumption of customer orders under uncertain business climate.

Cost of Sales

Cost of Sales decreased by 25.76%, with the decrease in Sales Revenues, from P1,040.01M to P772.15M.

Gross Profit and Gross Profit Margin

Gross profit decreased by P47.86 million or 12.17% from ₱ 393.40 million to ₱345.54 million.

Other Operating Expenses

Other operating expenses decreased by P 14.67M or 7.87% from P 186.34M to P 171.67M. While minimal to zero selling and marketing expenses were incurred during ECQ months, there were fixed expenses recognized on the same period such as depreciation, rent, utilities and insurance premium amortization.

Other Income (Charges)

In 2020, Other Charges (–net) was P 0.56 million compared with P 14.71 million in 2019, primarily due to net foreign currency gain on purchase and payment on importations and there was no impairment loss incurred in 2020.

Tax Expense

Tax expense decreased by P3.89M or by 6.96% from P55.93M to P52.04M due to lower net profit before tax. Net Profit before tax decreased by P19.06M or 9.91% from P192.35M to P173.29M.

2. Financial Condition

Material Changes to the Statement of Financial Position as at December 31, 2020 compared to the Statement of Financial Position as at December 31, 2019 (increase/decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents increased by P131.74M or 233.35% from P56.46M to P188.20M primarily due to lower purchases of raw materials and supplies.

Trade and Other Receivables

Trade and Other Receivables increased by P20.44M or 8% from P255.57M to P276.01M due to ECQ which affected business operations of customers resulting to deferment of collections and higher trade receivables as at period end.

This was also due to advance payments to suppliers for the importation of machineries and raw materials but goods were not yet received by the company as at period end.

Inventories

Inventories decreased by P26.76M or 5.39% from P495.99M to P469.23M. This was also due to lockdown and government safety guidelines against COVID-19 pandemic which resulted to lesser raw materials and supplies purchases, and minimal manufacturing operations even after the ECQ.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by P11.93M or 10.07% primarily due to lower input tax resulting from lesser purchases of raw materials and supplies.

Right of Use Assets - Net

Right of Use Assets - net decreased by P22.42M or 51.61% from P43.44M to P21.02M as a result of pre-termination of leases for Davao office and warehouse in January 2020 and lease modification for Davao plant in December 2020.

Other Non-Current Assets

Other non-current assets decreased by P2.32M or 19.40% from P11.95M to P9.63M due to amortization of deferred input tax balance on purchase of capital goods.

Trade and Other Payables

Trade and other payables decreased by P18.90M or 6.72% from P281.25M to P262.34M due to reduced raw materials purchases starting March.

Loans and Mortgage Payable-Current

Loans and Mortgage Payable-Current decreased by P0.68M or 21.49% from P3.16M to P2.48M due to settlement upon maturity.

Mortgage Payable-Non Current

Mortgage Payable-Non Current decreased by P2.39M or 34.37% from P6.95M to P4.56M due to settlement upon maturity.

Lease Liability - Current

Lease Liability-Current, arising from contract that contains lease relating to right of use assets, decreased by P1.15M or 24.99% from P4.62M to P3.47M resulting from amortization of financial lease.

Lease Liability - Non-Current

Lease Liability-Non-Current decreased by P20.33M or 51.38% from P39.56M to P19.24M due to pre-termination of leases for Davao office and warehouse and lease modification for Davao plant.

Post-Employment Benefit Obligation

Post-employment retirement payable decreased by P6.78M or 99.28% from P6.83M to P0.04M based on actuarial valuation by independent appraiser.

Deferred Tax Liabilities - net

Deferred Tax Liabilities - net increased by P2.62M or 5.56% from P47.07M to P49.68M primarily due to the provision for unrealized forex gain.

Treasury Stocks

Treasury Stocks transactions started in March 2019 with reference to the approved Share Buy-Back program of the company filed with the SEC on December 5, 2018. The amount of P41.10M was incurred for 20.16M shares as at its final closure on December 5, 2020.

Retained Earnings

Retained Earnings increased by P96.81M or 23.71% due to Net Profit after tax during the year, net of payment of cash dividend amounting to P24.44M.

3. Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	December 31, 2020	December 31, 2019
Current ratio	3.66 : 1.00	3.21 : 1.00
Acid test ratio	1.63 : 1.00	1.08 : 1.00
Book value per share	2.09	1.93
SOLVENCY RATIOS		
Key Indicators	December 31, 2020	December 31, 2019
Debt to equity ratio	0.28 : 1.00	0.33 : 1.00
Asset to equity ratio	1.28 : 1.00	1.33 : 1.00
PROFITABILITY RATIOS		
Key Indicators	December 31, 2020	December 31, 2019
Earnings per share	0.20	0.22
Return on assets	7.57%	9.46%
Return on equity	9.87%	12.11%
Gross profit ratio	30.92%	27.44%
Net profit (after tax) ratio	10.85%	9.52%

Notes:

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

2023 Plan of Operations

1. Manufacture new product
2. Continue geographic expansion
3. Broaden market segments
4. Purchase of Property
5. Enhance Data Privacy and Cyber Security
6. Succession Planning
7. Upgrade logistics equipment
8. Purchase additional machineries
9. Upgrade production facilities, tools, equipment and accessories
10. Expand production capacity in Valenzuela plant

Item 7. Financial Statements

The Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this SEC Form 17-A.

Item 8. Information on Independent Public Accountant and Other Related Matters

1. Independent Public Accountant

- a. Punongbayan & Araullo (P&A) was engaged by the company to audit the Company's financial statements for the calendar years December 31, 2021, 2020 and 2019. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing.

Punongbayan & Araullo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities in the Company. Both these independent public accountants will not receive any direct or indirect interest in the Company and in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Listing. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Committee.

- b. Audit and Audit Related Fees

Punongbayan & Araullo billed the Company P530,000.00, P560,000.00 and P600,000 for the examination of the financial statements for the calendar years December 31, 2020, 2021 and 2022 respectively, exclusive of 15% of professional fees for out-of-pocket expenses

- c. Tax Fees

Punongbayan & Araullo did not render professional services to the Company for tax accounting, compliance, advice, planning, and any other form of tax services.

d. Audit Committee Approval Policies

Under the Company's Manual on Corporate Governance, the policies and procedures for the audit rendered by the independent public auditors are to be taken up, discussed, and approved by the Company's Audit Committee.

The Audit Committee's decisions are based on the standards set forth by the Company for the purpose of audit or tax services, as the case may be. If the proposal submitted by the independent public auditor is within the standards set forth, then the proposal is forwarded to the Company's Board of Directors for approval.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no event where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

Changes in Accounting Policies

Please refer to Note 2 – Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Notes to Financial Statements of the year ended December 31, 2022, included in this report.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The Company's Board of Directors is responsible for the over-all management and direction of the Company. The Board meets to review and monitor the Company's future plans. Each Board member serves for a term of one (1) year, subject to re-election. A director who was elected to fill any vacancy holds office only for the unexpired term of his/her predecessor.

As of December 31, 2022, the composition of the Company's Board of Directors is as follows:

Board of Directors				
Name	Age	Nationality	Present Position	Period of Service in the Company
Walter H. Villanueva	68	Filipino	Chairman of the Board	21 years
Tita P. Villanueva	67	Filipino	Director	33 years
Nicasio T. Perez	65	Filipino	Director	33 years
Derrick P. Villanueva	40	Filipino	Director	13 years

Hans T. Perez	33	Filipino	Director	9 years
Eugene H. Villanueva	66	Filipino	Director	33 years
Marie Therese G. Santos	65	Filipino	Lead - Independent Director	more than 5 years
Ernesto R. Alberto	60	Filipino	Independent Director	more than 5 years
Fernando Lopez	71	Filipino	Independent Director	less than 1 year

Ms. Marie Therese G. Santos was appointed as Lead Independent Director on September 23, 2022.

To describe the business experience of the Company's directors for the past five (5) years, we have outlined hereunder their professional and business affiliations, as follows:

Walter H. Villanueva, 68, Filipino, Chairman of the Board, President, General Manager – PVC Roof Division, Chief Risk Officer

Mr. Walter H. Villanueva is concurrently a director and stockholder of Asean Timber Corporation, Husky Plastics Corporation, WT Derrick Realty Corporation and Guiguinto Integrated Wood Industries Corporation. He is likewise the Chairman or President and General Manager of these companies. From 2005 to present, Mr. Villanueva served as the Vice President for Sales and Marketing and the General Manager for the Pipe Group of Crown Asia Chemicals Corporation. He was appointed by the Board of Directors on July 19, 2019 as President of Crown Asia Chemicals Corporation, effective August 1, 2019. He was also appointed by the Board of Directors as Chief Risk Officer effective July 10, 2020.

Mr. Villanueva holds a Bachelor of Science degree in Business Administration and Marketing from the University of the Philippines Diliman.

Tita P. Villanueva, CPA, 67, Filipino, Director and SVP/Chief Financial Officer

Mrs. Tita P. Villanueva (CPA) is concurrently a director and stockholder of Asean Timber Corporation, Husky Plastics Corporation, WT Derrick Realty Corporation, and Guiguinto Integrated Wood Industries Corporation. She likewise serves as the Comptroller and Chairman of the Board of Asean Timber Corporation, Treasurer of both Husky Plastics Corporation and WT Derrick Realty Corporation, and Vice President of Guiguinto Integrated Wood Industries Corporation. Mrs. Villanueva holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines Diliman. She was promoted to Senior Vice President and Chief Financial Officer on December 15, 2017.

Nicasio T. Perez, 65, Filipino, Director and VP-Treasurer

Mr. Nicasio T. Perez is concurrently a director and stockholder of Asean Timber Corporation and Guiguinto Integrated Wood Industries Corporation. He likewise serves as Treasurer of Asean Timber Corporation and Chairman of the Board of Directors of Guiguinto Integrated Wood Industries Corporation. He holds a Bachelor of Science degree in Commerce from the University of Sto. Tomas

Derrick P. Villanueva, 40, Filipino, Director and General Manager – PVC Pipes Division

Mr. Derrick P. Villanueva was the Assistant General Manager – PVC Pipes Division position from July 2009 to December 2013 before he was promoted to General Manager for the same division on January 1, 2014. He is concurrently a director and stockholder of WT Derrick Realty Corporation and Husky Plastics Corporation. Mr. Villanueva holds a Diploma in Chemical Sciences from the British Columbia Institute of Technology and a Bachelor of Science degree in Entrepreneur Management from the University of Asia and the Pacific. He also finished his Regis-Ateneo MBA at the Ateneo Graduate School of Business last November 2022.

Hans Joseph T. Perez, 33, Filipino, General Manager – PP-R/HDPE Pipes Division

Mr. Hans T. Perez assumed his position as Assistant General Manager of the PP-R /HDPE Pipes Division in 2014. He holds a Bachelor of Science degree in Commerce major in Business Management from the De La Salle University. In 2017, he was promoted to the position of General Manager of the same division. He was designated by the Board as Risk Management Officer on September 29, 2017. On May 29, 2020, he was elected as Director of the company.

Eugene H. Lee Villanueva, 66, Filipino, Director

Mr. Eugene H. Lee Villanueva is concurrently a director and stockholder of Husky Plastics Corporation. He is an MBA Candidate in the Ateneo De Manila University and holds a Bachelor of Science degree in Pre Medicine from the University of the Philippines Diliman. He retired as President of Crown Asia Chemicals Corporation effective August 1, 2019.

Marie Therese G. Santos, 65, Filipino, Lead Independent Director

Ms. Marie Therese G. Santos is concurrently a director and stockholder of Gravitas Prime. Ms. Santos also sits as Independent Director of First Abacus Holdings, Inc. and Treasurer of UP High, Preparatory, Elementary, and Integrated School Alumni Foundation. She previously served as CFO, and after her resignation, as Independent Director and Chairman of the Audit Committee of Music Semiconductors Corporation. She also served as Director and Chairman of the Risk Management Committee of both Rural Bank of Solano (Nueva Vizcaya), Inc. and Cordillera Savings and Loan Association.

Ms. Santos holds a Masters degree in Business Administration and Bachelor of Science degree in Chemical Engineering from the University of the Philippines Diliman. She is a licensed Chemical Engineer.

Ernesto R. Alberto, 60, Filipino, Independent Director

Mr. Ernesto R. Alberto is currently the President and a Board Director of DITO CME Holdings Corporation. He is a retired Executive Vice President of the Philippine Long Distance Telephone Company (PLDT). He was also the President and CEO of Telesat, Inc. and ePLDT, Inc., as well as the President of ePDS, Inc. In addition, he was the Chairman of ACASIA Communications Sdn Bhd, Bonifacio Communications Corp., PLDT SUBIC TELECOM, INC. (PLDT Subictel), Clark Telecommunication Company Inc. (PLDT Clarktel), ABM Global

Solutions, iPlus, and Junior Achievement Philippines. He also held directorships in PLDT Philcom, PLDT Maratel, Inc., PLDT Global Philippines, PLDT Global Malaysia, Mabuhay Investments Corp., IP Converge Data Services, Inc., and IBM Analitika Philippines. Mr. Alberto was a director of the Business Processing Association of the Philippines (BPA/P) from 2007 to 2011.

Mr. Alberto obtained his Master's Degree in Economic Research from the University of Asia and the Pacific and his Bachelor's Degree Major in Economics, Minor in Mathematics and Political Science from San Beda College.

Fernando S. Lopez, 71, Filipino, Independent Director

Mr. Fernando S. Lopez is currently a Director and the Treasurer of A. Magsaysay Inc. and Subsidiaries. He also holds the position of President of Fairex Trading (Asia) Corp. and Magsaysay Houlder Insurance Broker Inc.

Mr. Lopez obtained his Bachelor's Degree on Accountancy from University of the East and is a Certified Public Accountant.

Executive Officers

As of December 31, 2022, the following are the executive officers of the Company:

Principal Officers				
Name	Age	Nationality	Present Position	Year Position was Assumed
Walter H. Villanueva	68	Filipino	Chief Risk Officer	2020
			President	2019
			General Manager of PVC Roof Division	2017
			Head of Pipe Group	2014
Tita P. Villanueva	67	Filipino	SVP/Chief Financial Officer	2017
			Vice President-Comptroller	2005
Nicasio T. Perez	65	Filipino	Vice President-Treasurer	1992
Derrick P. Villanueva	40	Filipino	General Manager – PVC Pipes Division	2014
			Assistant General Manager- PVC Pipes Division	2009
Hans Joseph T. Perez	33	Filipino	Risk Management Officer and General Manager – PPR /HDPE Pipes Division	2017
			Assistant General Manager- PPR/HDPE Division	2014

Marie Grace N. Dalupan	41	Filipino	Compliance Officer and AVP-Finance	2020 2019
Jason C. Nalupta	51	Filipino	Corporate Secretary and Chief Information Officer	2012
Ann Margaret Keh Lorenzo	34	Filipino	Assistant Corporate Secretary	2017

The following outlines the business experience of the other Company's officers for the past five (5) years:

Marie Grace N. Dalupan, 41, Filipino, AVP-Finance

Ms. Dalupan assumed her position as AVP-Finance of the Corporate Division in 2019. She was designated by the Board as Compliance Officer on May 29, 2020.

Jason C. Nalupta, 51, Filipino, Corporate Secretary and Chief Information Officer

Jason C. Nalupta, Filipino is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank, Pacific Online Systems Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Metropolitan Leisure & Tourism Corporation, Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glyphstudios, Inc., Loto Pacific Leisure Corporation, and Sta. Clara International Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Mr. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Mr. Nalupta was admitted to the Philippine Bar in 1997.

Ann Margaret K. Lorenzo, 34, Filipino, Assistant Corporate Secretary

Ms. Lorenzo is the Assistant Corporate Secretary of the Company. She is also currently the Corporate Secretary of the following companies: Athena Ventures, Inc., TGTI Services, Inc., Galileo Software Services Inc., and GGO Realty Holdings, Inc. She is likewise the Assistant Corporate Secretary of I-Remit, Inc. (listed), Coal Asia Holdings, Incorporated (listed), TKC Metals Corporation (listed), Philequity PSE Index Fund, Inc., Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Dividend Yield Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity Balanced Fund, Inc., Philequity Resources Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Aldex Realty Corporation, Oakridge Properties, Inc., Demikk Realty, Inc., Demikk Holdings, Inc., JTKC Leisure Holdings Corporation, Pan-Asean Multi-Resources Corporation, Etruscan Resources Philippines, Inc., and Tao Mohin Resources Corporation. She also serves as a Director of TGTI Services, Inc.

Ms. Lorenzo is currently a Junior Associate of Tan Venturanza Valdez. She obtained her Bachelor of Arts degree in English Studies and Juris Doctor degree from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine bar in April 2015.

Significant Employees

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

Board Meetings and Attendance

Board	Name	No. of Meetings Held during the Year	No. of Meetings Attended	%
Chairman	Walter H. Villanueva	7	7	100.00%
Member	Tita P. Villanueva	7	7	100.00%
Member	Nicasio T. Perez	7	7	100.00%
Member	Derrick P. Villanueva	7	7	100.00%
Member	Eugene H. Villanueva	7	7	100.00%
Member	Hans T. Perez	7	7	100.00%
Member	Marie Therese G. Santos	7	7	100.00%
Member	Ernesto R. Alberto	7	7	100.00%
Member	Bede Lovell S. Gomez	7	5	71.43%
Member	Fernando S. Lopez	7	1	14.28%

Fernande S. Lopez replaced Bede Lovell S. Gomez after the latter's resignation due to assumption of a position in Government Service Insurance System (GSIS).

Item 10. Executive Compensation

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2018, 2019 and 2020. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

Name and Position	Year	Salaries	Bonuses	Others	Total
Walter H. Villanueva/ Chairman/President/Head- Pipe Group/ General Manager – PVC Roof Division	2022	₱ 20,400,360	₱ 21,990,107.64	₱ 2,243,124.40	₱ 44,634,092.04
Tita P. Villanueva/ SVP/Chief Financial Officer					
Nicasio T. Perez/VP- Treasurer					
Derrick P. Villanueva/General Manager-PVC Pipes Division					
Hans T. Perez/General Manager-PPR/HDPE Division					
Walter H. Villanueva/ Chairman/President/Head- Pipe Group/ General Manager – PVC Roof Division	2021	₱ 22,901,454	₱ 1,264,607	₱ 5,793,996.66	₱ 29,959,607.66
Tita P. Villanueva/ SVP/Chief Financial Officer					
Nicasio T. Perez/VP- Treasurer					
Derrick P. Villanueva/General Manager-PVC Pipes Division					
Walter H. Villanueva/ Chairman/President/Head- Pipe Group/ General Manager – PVC Roof Division	2020	₱ 15,416,457	₱ -	₱ 1,708,060	₱ 17,124,517
Tita P. Villanueva/ SVP/Chief Financial Officer					
Nicasio T. Perez/VP- Treasurer					
Derrick P. Villanueva/General Manager-PVC Pipes Division					
Hans T. Perez/General Manager-PPR/HDPE Division					
Aggregate compensation paid to all officers and directors as a group unnamed	2022	₱ 20,400,360	₱ 24,355,287.64	₱ 3,185,124.40	₱ 47,940,772.04
	2021	₱ 24,552,648	₱ 1,381,070	₱ 7,628,996.66	₱ 33,562,714.66
	2020	₱ 15,701,087	₱ -	₱ 2,704,772	₱ 18,405,860

Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10.00% of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

For 2022, the Board received per diem allowance of P1,877,000 and P5,911,700 performance incentive. Net income before tax in 2021 was P295,585,005.

Currently for Board meetings, the Chairman receives P25,000 and other directors at P20,000 per meeting attended. For Committee meetings, the Committee Chairperson receives P12,000 and the members receive P10,000 per meeting attended.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As at December 31, 2022, the following are the owners of record, **directly or indirectly**, of more than 5.00% of the Company's outstanding capital stock, the number of shares and percentage of shareholdings of each of them:

Security Ownership					
Title of Class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Nicasio T. Perez West Triangle Homes, Quezon City <i>Shareholder</i>	Same as record owner	Filipino	97,024,422	15.88%
Common	Walter H. Villanueva Corinthian Gardens, Quezon City <i>Shareholder</i>	Same as record owner	Filipino	77,898,000	12.75%
Common	Tita P. Villanueva Corinthian Gardens, Quezon City <i>Shareholder</i>	Same as record owner	Filipino	47,280,000	7.74%

Security Ownership					
Title of Class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Derrick P. Villanueva Royal View Mansion, San Juan City <i>Shareholder</i>	Same as record owner	Filipino	40,271,293	6.59%
Common	Eugene H. Lee Villanueva West Triangle Homes, Quezon City <i>Shareholder</i>	Same as record owner	Filipino	34,255,108	5.60%
TOTAL					

Security Ownership of Directors and Management

The following are the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of December 31, 2022:

Direct Ownership by Board of Directors and Management				
Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Walter H. Villanueva <i>Chairman of the Board, President, Head – Pipes Group, and General Manager – PVC Roof Division and Director</i>	77,898,000 <i>Direct</i>	Filipino	12.76%
Common	Tita P. Villanueva <i>SVP/Chief Financial Officer and Director</i>	47,280,000 <i>Direct</i>	Filipino	7.74%
Common	Nicasio T. Perez <i>Vice President – Treasurer and Director</i>	47,280,000 <i>Direct</i>	Filipino	7.74%
Common	Derrick P. Villanueva <i>General Manager – PVC Pipes Division and Director</i>	39,716,293 <i>Direct</i>	Filipino	6.50%
Common	Eugene H. Lee Villanueva <i>Director</i>	34,255,108 <i>Direct</i>	Filipino	5.61%
Common	Hans T. Perez <i>General Manager - PPR/HDPE Division and Director</i>	2,464,422 <i>Direct</i>	Filipino	0.40%
Common	Marie Therese G. Santos <i>Lead Independent Director</i>	108,000 <i>Direct</i>	Filipino	-nil-

Direct Ownership by Board of Directors and Management					
Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class	
Common	Ernesto R. Alberto <i>Independent Director</i>	108,000 <i>Direct</i>	Filipino	-nil-	
Common	Fernando S. Lopez <i>Independent Director</i>	10,000 <i>Direct</i>	Filipino	-nil-	
Total		249,119,823 <i>Direct</i>		40.80%	

As of December 31, 2022, the aggregate direct ownership of all directors and officers of the Company as a group is 40.80% of the total issued and outstanding shares of the Company.

Selling Security Holders

None of the Offer Shares is to be offered for the account of security holders.

Voting Trust

The Company knows of no person holding more than 5.00% of shares under a voting trust of similar agreement.

Item 12. Certain Relationships and Related Transactions

Family Relationships

Mr. Walter H. Villanueva and Mr. Eugene H. Lee Villanueva are siblings.

Mrs. Tita P. Villanueva and Mr. Nicasio T. Perez are siblings.

Mr. Walter H. Villanueva and Mrs. Tita P. Villanueva are spouses.

Mr. Derrick P. Villanueva is the son of Mr. Walter H. Villanueva and Mrs. Tita P. Villanueva.

Mr. Hans Joseph T. Perez is the son of Mr. Nicasio T. Perez.

There are no other family relationships known to the Company among directors, executive officers, or persons nominated or chose by the registrant to become directors or executive officers other than the ones disclosed.

Details of the Related Party Transaction are discussed under Note 17 of the Audited Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practice on Corporate Governance

The Company was listed at the Philippine Stock Exchange (PSE) on April 27, 2015. The company's Integrated Annual Corporate Governance Report (I-ACGR) shall be submitted on or before May 30, 2023, in compliance with SEC Memorandum Circular No. 15 Series of 2017.

PART V – EXHIBITS AND SCHEDULES

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

- (a) Exhibits - none
- (b) Reports on SEC Form 17-C for the last six months of the year

INDEX TO FINANCIAL STATEMENTS
Form 17-A, Item 7

Statement of Management's Responsibility for Financial Statements
Independent Auditor's Report
Statements of Financial Position
Statements of Income
Statements of Comprehensive Income
Statements of Changes in Equity
Statements of Cash Flows
Notes to Financial Statements

SIGNATURES

Pursuant to the requirements of the Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in PASIG CITY on 20 MAR 2023.

CROWN ASIA CHEMICALS CORPORATION

Issuer

By:


WALTER H. VILLANUEVA

Chairman and President


TITA P. VILLANUEVA

SVP/Chief Finance Officer


ATTY. JASON C. NALUPTA


Corporate Secretary

SUBSCRIBED AND SWORN to before me this 20 MAR 2023 day
of _____ 2023 affiants exhibiting to me their Passports, as follows:

NAMES	Passport NO.	DATE/PLACE OF ISSUE
Walter H. Villanueva	P0607032B	02/09/2019 DFA NCR East
Tita P. Villanueva	P0600446B	02/08/2019 DFA NCR East
Atty. Jason C. Nalupta	P7670714A	06/26/2018 DFA NCR South

NOTARY PUBLIC

Doc. No. 394
Page No. 80
Book No. I
Series of 2023.


ROBERTO ROLANDO L. GEOTINA
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 215 (2022-2023)
Commission Expires on December 31, 2023
2704 East Tower, Tektite Towers, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No. 9004906/01.04.23/Pasig City
IBP No. 260919/01.05.23/RSM
Roll of Attorneys No. 78571
Admitted to the Bar on 13 May 2022



SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

Receiving: JAYSON ALDAY

Receipt Date and Time: March 22, 2023 12:38:54 PM

Company Information

SEC Registration No.: 0000159950

Company Name: CROWN ASIA CHEMICALS CORPORATION

Industry Classification: D24123

Company Type: Stock Corporation

Document Information

Document ID: OST1032220238972683

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2022

Submission Type: Annual

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

1 5 9 9 5 0

S.E.C. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

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

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

TITA P. VILLANUEVA

Contact Person

3 4 1 3 8 0 3 2

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

A F S

FORM TYPE

0 5 1 1

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

6 6

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



CROWN ASIA CHEMICALS CORPORATION

Km 33 Mc Arthur Highway, Tuktukan, Guiguinto, Bulacan

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

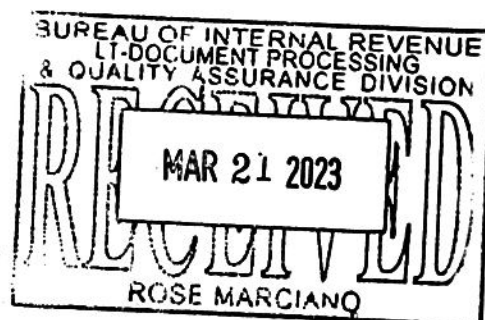

WALTER H. VILLANUEVA

Chairman of the Board and President


TITA P. VILLANUEVA

SVP/Chief Financial Officer

Signed this 21 day of MAR 2023



SUBSCRIBED AND SWORN to before me this 21 MAR 2023 day of _____
2023 affiant (s) exhibiting to me their Community Tax Certificates , as follows:

NAMES	CTC NO.	DATE/PLACE OF ISSUE
Walter H. Villanueva	28529963	01/10/2023 Valenzuela City
Tita P. Villanueva	28529964	01/10/2022 Valenzuela City

NOTARY PUBLIC

ATTY JASON C. DE BELEN

Roll No 36259

Adm. No. NP-070 Notary Public

Notary Public for Quezon City

My Commission expires on December 31, 2023

No. 7M Sgt. Borromeo St. cor. Panay Ave., Q.C.

IBP No. 259495; Q.C.; 1-3-2023

PTR No. 4007196; Q.C.; 1-3-2023

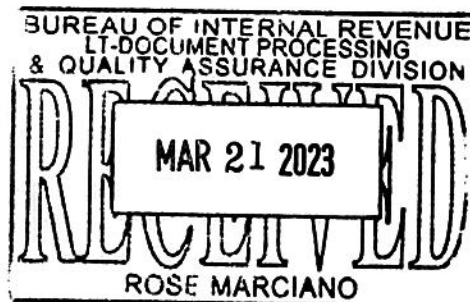
MCLE VII-0019570; 5-30-22

Doc. No. 390

Page No. 78

Book No. 327

Series of 2023.



Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and the Stockholders
Crown Asia Chemicals Corporation
Km. 33, McArthur Highway
Bo. Tuktukan, Guiguinto
Bulacan

Report on the Audit of the Financial Statements

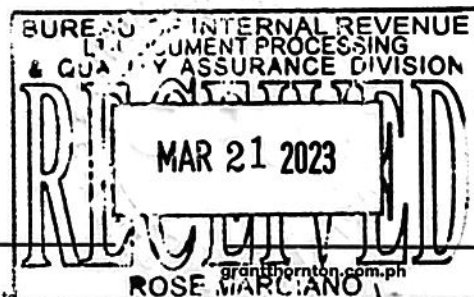
Opinion

We have audited the financial statements of Crown Asia Chemicals Corporation (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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



Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

(a) Revenue Recognition

Description of the Matter

Revenue is one of the key performance measures used to assess the Company's business performance. Relative to this, there is a significant risk that the amount of revenue reported in the financial statements is higher than what has been actually generated by the Company. Revenue is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Revenue from local and export sales is generated through direct sales to contractors and developers, manufacturers and traders, and wholesalers and retailers. For the year ended December 31, 2022, the Company's total revenues amounted to P1,760.8 million.

In our view, revenue recognition is significant to our audit because of the inherent risk of material misstatement involved and the materiality of the amount of recorded revenues which impact the Company's profitability.

The Company's disclosures about its revenue recognition policy and breakdown are included in Notes 2 and 4.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included:

- obtaining an understanding of the Company's different types of revenue streams by reviewing revenue contracts and revenue transaction processes;
- evaluating appropriateness of the Company's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- testing of design and operating effectiveness of internal controls related to the Company's revenue processes, which include inquiry and observation, and test, on a sampling basis, revenue transactions during the year;
- performing test of transactions, on a sample basis, for revenue transactions to ascertain the satisfaction of the performance obligations through delivery of the goods, including but not limited to, reviewing of sales invoices, including proof of deliveries, as evidence that control is transferred to the customers;
- performing sales cut-off test, including, among others, examining sales transactions near period end, and analysing and reviewing sales returns, credit memos and other receivable adjustments subsequent to period end to determine whether revenues are appropriately recognized in the proper period;



- confirming receivables, on sample basis, using positive confirmations, performing alternative procedures for non-responding customers, reporting unresolved difference to appropriate client personnel and projecting errors to the population, to ascertain the testing precision achieved, which further validates the accuracy of revenue recognized by the Company; and,
- performing detailed analysis of revenue segments and related key ratios such as, but not limited to, current year's components of revenues (e.g., by customer and by division) as a percentage of total revenues, receivable turnover and average collection period.

(b) Application of Expected Credit Loss Methodology and Recoverability of Receivables

Description of the Matter

As of December 31, 2022, the Company's receivables, net of allowance for credit losses, amounting to P294.4 million represent 21% and 14% of total current assets and total assets, respectively. The determination of allowance for credit losses of receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining when the receivables are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) methodology under PFRS 9, *Financial Instruments*. These judgment and estimates which are described in the Company's significant accounting policies, judgments and estimates in Notes 2, 3 and 21 to the financial statements, include the application of the ECL methodology based on the lifetime ECL assessment wherein the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a simplified approach through provision matrix. The key elements used in the calculation of the ECL include the probability of default, loss given default and exposure at default.

The Company's disclosures about its receivables and the reconciliation of allowance for credit losses are included in Note 6 while the related disclosures on credit risk are presented in Note 21.

How the Matter was Addressed in the Audit

Our audit procedures to determine the appropriateness of ECL methodology applied and the adequacy of the allowance for credit losses on those receivables included, among others, the following:

- obtaining an understanding of the Company's policy and procedures over granting of credits to customers and assessing impairment of receivables;
- evaluating appropriateness of ECL methodology adopted based on the requirements of PFRS 9 and the reasonableness of underlying assumptions, and the sufficiency, reliability and relevance of historical data and forward looking information used by Company's management;
- checking the mathematical accuracy of the provision matrix applicable to the ECL methodology, including the applicable aging of receivables and the related aging classification of selected customers' accounts;
- identifying any customers with financial difficulty and/or breach of arrangement resulting in default on payments through discussion with management, inspecting their payment history, and as applicable, performing an independent evaluation of their ability to pay as qualitative assessment for the ECL, in addition to quantitative assessment using provision matrix;



- verifying, on a sample basis, the reasonableness of the results of management's credit and impairment review for customers with long-outstanding accounts by inspecting corroborating information and underlying documents; and,
- evaluating appropriateness of the impairment adjustments made by the Company during 2022, as applicable, in accordance with the requirements of PFRS 9.

(c) Existence and Valuation of Inventories

Description of the Matter

The total inventories of P705.7 million as of December 31, 2022 represents 51% and 34% of total current assets and total assets of the Company, respectively. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Recognition of inventory cost, particularly related to finished goods, involves management judgment and estimates in appropriately allocating the manufacturing costs, including overhead, based on actual units produced. In addition, management uses estimates in assessing whether inventories are valued at the lower of cost and net realizable value. Moreover, the Company's inventories are considered voluminous and majority of these are kept in the Company's warehouses and some are held by third parties. Relative to these, we determined that existence and valuation of inventories is a key audit matter of our audit.

The Company's disclosures about inventories and the related inventory valuation policies are included in Notes 7 and 2, respectively.

How the Matter was Addressed in the Audit

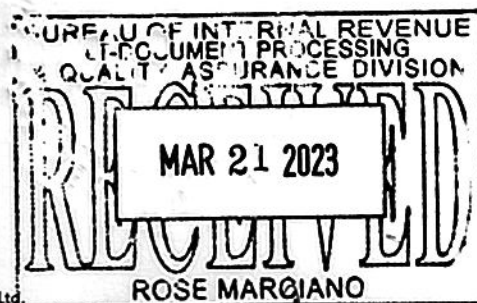
Our audit procedures to address the risk of material misstatement relating to inventory existence and valuation, which was considered to be a significant risk included, among others, the following:

On inventory existence:

- conducting physical inventory count observation, including, among others, touring the facility before and after the inventory count observation to gain an understanding of the location and condition of inventories prior to the count and after the count is concluded, as well as the related controls of the Company in relation to the inventory count; determining that all sample inventory items were counted and no items were counted twice; obtaining relevant cut-off information and copy of count control documents; examining sample inventory items to test count against inventory records; clearing exceptions, if any, with appropriate personnel; and, projecting errors to the population;
- observing physical inventory count conducted on inventories held by third parties; and,
- performing detailed analysis of inventory-related ratios such as, but not limited to, inventory turnover, current year's components of inventories as a percentage of total inventories and current year's composition of the total product cost.

On inventory valuation:

- testing the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review;





- determining the method of inventory costing and evaluating appropriateness and consistency of application of the valuation of inventories at lower of cost and net realizable value;
- performing test on inventory costing of selected inventory items by recomputing unit cost and comparing to unit cost per books, examining movements affecting the average unit cost, reporting unresolved difference, if any, to appropriate personnel; and,
- determining whether inventory is stated at lower of cost and net realizable value by obtaining latest selling price, estimating cost to sell of sample inventory items and comparing the net selling price to the unit cost per books, reporting unresolved differences, if any, to appropriate personnel.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

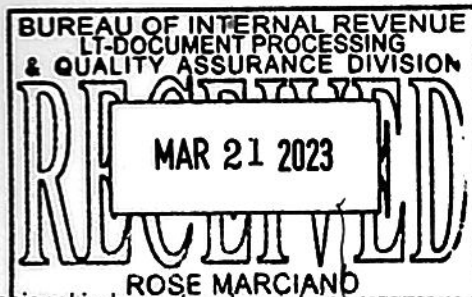
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 26 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is John Endel S. Mata.

PUNONGBAYAN & ARAULLO



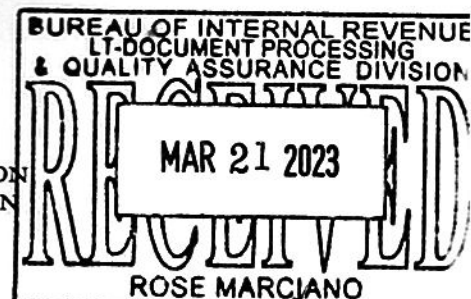
By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 9, 2023



CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)



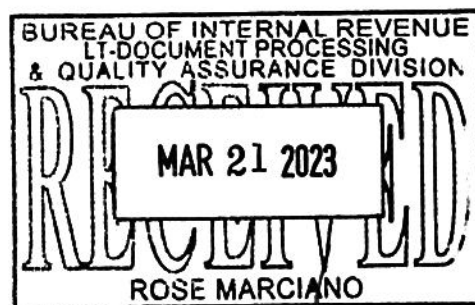
	Notes	2022	2021
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 255,027,375	P 108,633,691
Trade and other receivables - net	6	294,422,081	339,062,457
Inventories	7	705,687,384	700,898,060
Prepayments and other current assets	8	116,582,436	137,924,436
Total Current Assets		1,371,719,276	1,286,518,644
NON-CURRENT ASSETS			
Property, plant and equipment - net	9	671,957,011	676,798,883
Right-of-use assets - net	12	14,762,376	16,838,522
Post-employment defined benefit asset - net	15	4,671,133	2,936,556
Other non-current assets - net	10	12,816,124	18,516,540
Total Non-current Assets		704,206,644	715,090,501
TOTAL ASSETS		P 2,075,925,920	P 2,001,609,145
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	11	P 214,516,411	P 311,802,136
Mortgage and loan payables	11	1,984,626	2,246,361
Lease liabilities	12	4,332,370	3,571,012
Income tax payable		9,207,090	5,075,816
Total Current Liabilities		230,040,497	322,695,325
NON-CURRENT LIABILITIES			
Mortgage payables	11	333,679	2,316,587
Lease liabilities	12	13,088,724	15,666,756
Deferred tax liabilities - net	16	72,105,374	72,049,746
Total Non-current Liabilities		85,527,777	90,033,089
Total Liabilities		315,568,274	412,728,414
EQUITY			
Capital stock	18	630,800,000	630,800,000
Treasury shares, at cost		(41,096,031)	(41,096,031)
Additional paid-in capital		52,309,224	52,309,224
Revaluation reserves		234,782,852	231,142,347
Retained earnings		883,561,601	715,725,191
Total Equity		1,760,357,646	1,588,880,731
TOTAL LIABILITIES AND EQUITY		P 2,075,925,920	P 2,001,609,145

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES	4, 17	P 1,760,815,265	P 1,740,847,346	P 1,117,688,552
COST OF GOODS SOLD	13	<u>1,218,783,523</u>	<u>1,262,277,223</u>	<u>772,150,288</u>
GROSS PROFIT		<u>542,031,742</u>	<u>478,570,123</u>	<u>345,538,264</u>
OTHER OPERATING EXPENSES	14	<u>241,044,053</u>	<u>190,097,813</u>	<u>171,670,539</u>
OTHER INCOME (CHARGES)				
Foreign currency gains - net	21	4,843,031	7,221,166	1,281,674
Finance costs - net	11, 12, 15	(1,912,959)	(2,016,237)	(4,765,295)
Finance income	5, 8	135,264	163,550	357,614
Other income	9, 12	<u>2,263,395</u>	<u>1,744,216</u>	<u>2,550,327</u>
		<u>5,328,731</u>	<u>7,112,695</u>	<u>(575,680)</u>
PROFIT BEFORE TAX		306,316,420	295,585,005	173,292,045
TAX EXPENSE	16	<u>77,416,110</u>	<u>71,278,846</u>	<u>52,042,956</u>
NET PROFIT		<u>P 228,900,310</u>	<u>P 224,306,159</u>	<u>P 121,249,089</u>
BASIC AND DILUTED EARNINGS PER SHARE	19	<u>P 0.37</u>	<u>P 0.37</u>	<u>P 0.20</u>

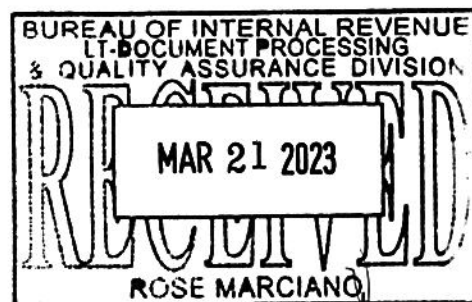
See Notes to Financial Statements.



CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		P 228,900,310	P 224,306,159	P 121,249,089
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss	18			
Remeasurements of post-employment defined benefit plan	15	4,854,007	1,245,010	9,188,253
Revaluation increment on land	9	-	119,102,900	-
Tax expense	16	(1,213,502)	(20,694,884)	(2,756,476)
		3,640,505	99,653,026	6,431,777
TOTAL COMPREHENSIVE INCOME		P 232,540,815	P 323,959,185	P 127,680,866

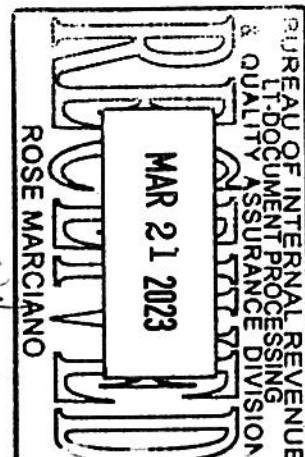
See Notes to Financial Statements.



CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Note	Capital Stock	Treasury Shares	Additional Paid-in Capital	Retained Earnings	Revaluation Reserves	Total Equity
Balance at January 1, 2022		P 630,800,000	(P 41,096,031)	P 52,309,224	P 715,725,191	P 231,142,347	P 1,588,880,731
Cash dividends	18	-	-	-	(61,063,900)	-	(61,063,900)
Total comprehensive income for the year		-	-	-	228,900,310	3,640,505	232,540,815
Balance as at December 31, 2022		<u>P 630,800,000</u>	<u>(P 41,096,031)</u>	<u>P 52,309,224</u>	<u>P 883,561,601</u>	<u>P 234,782,852</u>	<u>P 1,760,357,646</u>
Balance at January 1, 2021		P 630,800,000	(P 41,096,031)	P 52,309,224	P 505,158,410	P 131,489,321	P 1,278,660,924
Cash dividends	18	-	-	-	(13,739,378)	-	(13,739,378)
Total comprehensive income for the year		-	-	-	224,306,159	99,653,026	323,959,185
Balance as at December 31, 2021		<u>P 630,800,000</u>	<u>(P 41,096,031)</u>	<u>P 52,309,224</u>	<u>P 715,725,191</u>	<u>P 231,142,347</u>	<u>P 1,588,880,731</u>
Balance at January 1, 2020		P 630,800,000	(P 37,462,971)	P 52,309,224	P 408,352,960	P 125,057,544	P 1,179,056,757
Acquisition of shares during the year	18	-	(3,633,060)	-	-	-	(3,633,060)
Cash dividends	18	-	-	-	(24,443,639)	-	(24,443,639)
Total comprehensive income for the year		-	-	-	121,249,089	6,431,777	127,680,866
Balance as at December 31, 2020		<u>P 630,800,000</u>	<u>(P 41,096,031)</u>	<u>P 52,309,224</u>	<u>P 505,158,410</u>	<u>P 131,489,321</u>	<u>P 1,278,660,924</u>

See Notes to Financial Statements.



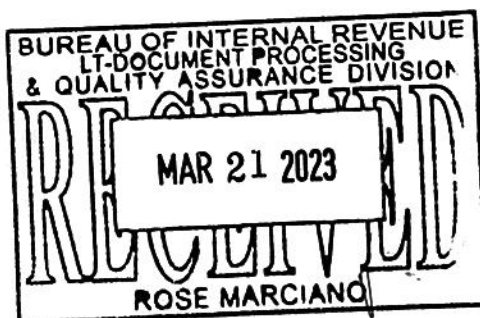
CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 306,316,420	P 295,585,005	P 173,292,045
Adjustments for:				
Depreciation and amortization	9, 10, 12	43,812,306	42,157,189	42,261,701
Interest expense	11, 12, 15	1,912,959	2,016,237	4,765,295
Unrealized foreign currency gains - net	21	(1,376,390)	(3,897,358)	(2,901,855)
Gain on sale of equipment	9, 17	(846,280)	(794,491)	(515,000)
Finance income	5, 8	(135,264)	(163,550)	(357,614)
Gain on derecognition of a financial liability	17	-	(46,057)	-
Gain on modification and pre-termination of leases	12	-	-	(1,070,444)
Operating profit before working capital changes		349,683,751	334,856,975	215,474,128
Decrease (increase) in trade and other receivables		43,060,793	(61,020,429)	(20,393,446)
Decrease (increase) in inventories	(	4,789,324)	(231,664,064)	26,756,479
Decrease (increase) in prepayments and other current assets		12,548,059	(39,754,865)	3,309,920
Decrease (increase) in post-employment defined benefit asset		3,264,202	(2,936,556)	-
Decrease (increase) in other non-current assets		5,634,823	(8,948,697)	2,253,968
Increase (decrease) in trade and other payables	(	97,280,260)	46,969,928	7,339,010
Increase in post-employment defined benefit obligation		-	1,190,356	1,863,931
Cash generated from operations		312,122,044	38,692,648	236,603,990
Cash paid for income taxes	(	61,544,118)	(72,294,515)	(27,323,177)
Interest received		135,264	163,550	289,584
Net Cash From (Used in) Operating Activities		250,713,190	(33,438,317)	209,570,397
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	9	(34,209,600)	(29,905,362)	(38,387,853)
Investment in short-term placement	8	(4,104,651)	-	-
Proceeds from disposal of equipment	9	1,684,105	516,900	1,573,501
Net Cash Used in Investing Activities		(36,630,146)	(29,388,462)	(36,814,352)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of loans and mortgage payables	11	(72,239,172)	(2,477,127)	(38,075,046)
Proceeds from loans	11	70,000,000	-	35,000,000
Dividends paid	18	(61,063,900)	(13,739,378)	(24,443,639)
Repayments of lease liabilities	12	(5,384,929)	(5,004,435)	(6,708,341)
Interest paid for loans and mortgage payables	11	(677,954)	(474,923)	(1,321,392)
Acquisition of treasury shares	18	-	-	(3,633,060)
Net Cash Used in Financing Activities		(69,365,955)	(21,695,863)	(39,181,478)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		1,676,595	4,959,675	(1,834,288)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		146,393,684	(79,562,967)	131,740,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		108,633,691	188,196,658	56,456,379
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 255,027,375	P 108,633,691	P 188,196,658

Supplemental Information on Non-cash Investing and Financing Activities:

- (i) In 2022, the Company recognized additional right-of-use assets and lease liabilities amounting to P2.2 million. In 2020, certain lease arrangements were modified and pre-terminated resulting in the adjustments in right-of-use assets and lease liabilities totaling to P16.6 million and P17.7 million, respectively (see Note 12).
- (ii) In 2022, the Company received a parcel of land from a certain customer as equivalent to the payment of its outstanding debt amounting to P1.3 million. The land received is presented as part of Property, Plant and Equipment in the 2022 statement of financial position (see Notes 6 and 9).
- (iii) In 2021, the Company's land was revalued resulting in an increase in the value of such property amounting to P119.1 million (see Note 9).
- (iv) In 2021, the Company purchased certain machinery and equipment amounting to P20.1 million, which was directly paid to the supplier by a related party in favor of the Company. The same machinery and equipment were subsequently disposed of and sold directly to the same related party for P20.7 million, recognizing a gain of P0.6 million (see Notes 9 and 17). The outstanding advances from a related party amounting to P20.1 million were applied against the Company's receivable from the sale of such asset. The outstanding receivable which amounts to P3.1 million is presented as part of Other receivables under Trade and Other Receivables in the 2021 statement of financial position (see Notes 6 and 17). The related receivable was collected in 2022.
- (v) The unpaid portion relating to the purchase of land as of December 31, 2019 amounting to P21.6 million was fully settled in 2020.

See Notes to Financial Statements.

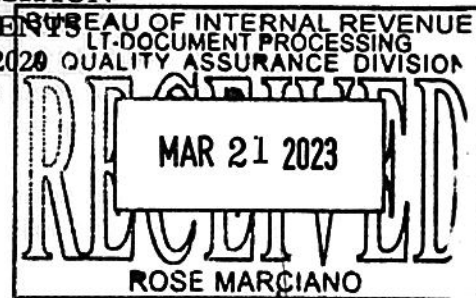


CROWN ASIA CHEMICALS CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Philippine Pesos)



1. GENERAL INFORMATION

1.1 Corporate Information

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

The Company's shares were listed in the Philippine Stock Exchange (PSE) on April 27, 2015 (see Note 18.1).

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

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on March 9, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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



(b) *Presentation of Financial Statements*

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

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

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of Amended PFRS

(a) *Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

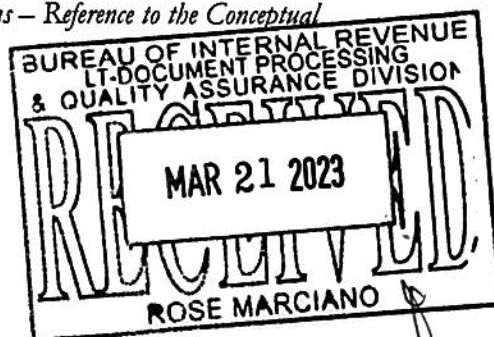
The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Company*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

- (i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*



- (ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
 - PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Segment Reporting

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

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

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

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

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

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

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

(i) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets at amortized cost is the only classification applicable to the Company. The classification and measurement of the Company's relevant financial assets are described in the succeeding page.

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

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

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances and Other receivables), Short-term placement (presented under Prepayments and Other Current Assets) and Security deposits (presented under Other Non-current Assets) in the statement of financial position. Cash and cash equivalents include cash on hand and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

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

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 21.2(b)].

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

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The amount of ECL required to be recognized during the year, if any, is presented as Impairment loss on trade receivables under the Other Operating Expenses. Reversal of loss allowance, if applicable, is recognized in the statement of profit or loss as part of Other income under Other Income (Charges).

(iii) *Derecognition of Financial Assets*

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

(b) *Financial Liabilities*

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

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

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

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

The measurement of lease liabilities is discussed in Note 2.12.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

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

2.6 Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials, supplies and packaging materials is the current replacement cost.

2.7 Prepayments and Other Assets

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

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

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

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

2.8 Property, Plant and Equipment

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

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

Following initial recognition at cost, land is carried at revalued amount which is the fair value at the date of the revaluation as determined by independent appraisers. Revalued amount is the fair market value determined based on appraisal by external professional valuer once every two years or more frequently if market factors indicate a material change in fair value (see Note 23.3).

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

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

Building and improvements	3-25 years
Transportation equipment	3-15 years
Land improvements	2-15 years
Machineries, factory, and other equipment	2-15 years
Furniture, fixtures and office equipment	2-15 years

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Notes 2.16 and 9) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

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

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

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

2.9 Intangible Assets

Intangible assets include registered trademarks which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 years as the lives of these intangible assets are considered finite. Intangible assets are subject to impairment testing as described in Note 2.14. The carrying amounts of the intangible assets are presented as Trademarks under Other Non-current Assets account in the statement of financial position (see Note 10).

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

2.10 Provisions and Contingencies

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

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

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

2.11 Revenue and Expense Recognition

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

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

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

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

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

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

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

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

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

Specifically, revenue from sale of goods is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Invoices for goods transferred are due upon receipt by the customer. The significant judgments in determining the timing of satisfaction of the performance obligation is disclosed in Note 3.1(b).

The Company also assesses its revenue agreements in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. Revenue is recorded at gross when acting as a principal while only net revenues are considered if only an agency service exists.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Company recognizes a right of return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Goods Sold account. However, there were no contracts that contained significant right of return arrangements that remain outstanding during the reporting periods [see Note 3.1(c)].

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

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

2.12 Leases – Company as Lessee

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

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

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset ranging from two to 10 years or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.14).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

2.13 Foreign Currency Transactions and Translation

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

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

2.14 Impairment of Non-financial Assets

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

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

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

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

2.15 Employee Benefits

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

(a) Short-term Employee Benefits

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

(b) *Post-employment Defined Benefit Plan*

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

The asset recognized in the statement of financial position for a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

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

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

(c) *Post-employment Defined Contribution Plan*

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

(d) *Termination Benefits*

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

(e) *Compensated Absences*

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

2.16 Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.17 Income Taxes

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

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

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

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

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities for land that is measured using the fair value model (see Note 2.8), the land's carrying amount is presumed to be recovered entirely through sale as an ordinary asset.

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

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

2.18 Related Party Transactions and Relationships

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

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

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

Based on the requirements of SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

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

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.19 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves include the fair value gains and losses due to the revaluation of land and remeasurements of post-employment defined benefit plan [see Note 2.8 and 2.15(b)].

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

2.20 Earnings per Share

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

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

2.21 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements (see Note 25).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

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

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

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

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

The Company did not include the renewal period as part of the lease term for leases of some of its office space and warehouse due to the provision in its contracts that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

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

(b) Determination of Timing of Satisfaction of Performance Obligations

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

(c) *Determination of Transaction Price*

The transaction price, which excludes any amounts collected on behalf of third parties (e.g., VAT), is considered receivable to the extent of products sold with consideration on the right of return, if applicable (see Note 2.11). Also, the Company uses the practical expedient in PFRS 15, with respect to non-adjustment of the promised amount of consideration for the effects of any financing component [i.e., the Company receives advances from certain customers which can be applied to their future purchases (see Note 11.1)] as the Company expects, at contract inception, that the period between when the Company transfers promised goods or services to the customer and payment due date is one year or less.

(d) *Determination of ECL on Trade and Other Receivables*

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

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 21.2(b).

(e) *Determination of Cost of Inventories*

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

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and disclosures on relevant provisions and contingencies are presented in Note 20.

3.2 Key Sources of Estimation Uncertainty

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

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

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 21.2(b).

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

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Even though the Company's core business is not continuously subject to rapid technological changes which may cause inventory obsolescence, future realization of the carrying amounts of inventories as presented in Note 7 is still affected by price changes. Such aspect is considered a key source of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

There was no inventory write-down to recognize the inventories at their net realizable value in 2022, 2021 and 2020 based on management's assessment.

(d) *Estimation of Useful Lives of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets*

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

The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets (Trademarks under Other Non-current Assets account) are presented in Notes 9, 12.1 and 10, respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(e) *Measurement of Fair Value of Land*

The Company's land is carried at revalued amount at the end of the reporting period. In determining its fair value, the Company engages the services of professional and independent appraisers applying the relevant valuation methodology (see Note 23.3).

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

A significant change in these elements may affect prices and the value of the assets. The amount of revaluation increment recognized is disclosed in Note 9.

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying values of deferred tax assets netted against deferred tax liabilities as of those reporting periods are disclosed in Note 16.

(g) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of property, plant and equipment, right-of-use assets, intangible assets and other non-financial assets is discussed in Note 2.14. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There was no impairment loss recognized on non-financial assets in 2022, 2021 and 2020.

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

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

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 15.2.

4. SEGMENT REPORTING

4.1 *Business Segments*

The Company is organized into business units based on its products for purposes of management assessment of each unit. For management purposes, the Company is organized into four major business segments, namely: compounds, pipes, Polypropylene Random (PPR)/High-density Polyethylene (HDPE) and roofing. These are also the basis of the Company in reporting to its chief operating decision-maker for its strategic decision-making activities.

The products under the compounds segment are the following:

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

The products under the pipes segment are only the PVC pipes and fittings.

The products under the PPR/HDPE segment are the following:

- PPR Copolymer Type 3 pipes and fittings; and,
- HDPE pipes and fittings.

The product under the roofing segment is only the unplasticized PVC roofing material, which started sales to the public in 2018.

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

Prior to 2021, the Company is presenting three major business segments in the financial statements, namely: compounds, pipes and roofing. In 2021, the Company's management decided to further breakdown the pipes segment into pipes and PPR/HDPE, thereby creating a new business segment. The Company's management also updated the 2020 presentation of segment reporting to conform with the new presentation.

4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of property, plant and equipment, trade and other receivables and inventories, net of allowances and provisions. Segment assets do not include deferred taxes. Segment liabilities, however, were not presented as this measure is not regularly being provided to the chief operating decision-maker (see Note 4.5).

4.3 *Intersegment Transactions*

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

4.4 Analysis of Segment Information

Segment information can be analysed as follows:

	<u>Compounds</u>	<u>Pipes</u>	<u>PPR/HDPE</u>	<u>Roofing</u>	<u>Total</u>
For the year ended					
<u>December 31, 2022</u>					
Statement of Profit or Loss					
Revenues	P 621,549,209	P 915,342,738	P 191,145,487	P 32,777,831	P 1,760,815,265
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	508,844,709	580,792,047	90,955,992	12,589,928	1,193,182,676
Depreciation and amortization	7,526,062	17,443,239	9,537,958	5,207,731	39,714,990
Other operating expenses (excluding depreciation and amortization)	17,264,319	96,681,483	21,656,675	7,519,213	143,121,690
	<u>533,635,090</u>	<u>694,916,769</u>	<u>122,150,625</u>	<u>25,316,872</u>	<u>1,376,019,356</u>
Other Charges (Income) – net	(9,427,945)	4,022,781	279,637	369,384	(4,756,143)
Segment Operating Profit	<u>P 97,342,064</u>	<u>P 216,403,188</u>	<u>P 68,715,225</u>	<u>P 7,091,575</u>	<u>P 389,552,052</u>
<u>December 31, 2022</u>					
Statement of Financial Position					
Segment assets	<u>P 409,262,586</u>	<u>P 752,748,267</u>	<u>P 343,218,596</u>	<u>P 165,834,260</u>	<u>P 1,671,063,709</u>
For the year ended					
<u>December 31, 2021</u>					
Statement of Profit or Loss					
Revenues	P 732,089,982	P 831,949,781	P 155,936,385	P 20,871,198	P 1,740,847,346
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	607,628,654	545,905,616	76,244,374	7,878,337	1,237,656,981
Depreciation and amortization	7,265,715	15,477,021	9,642,642	5,281,021	37,666,399
Other operating expenses (excluding depreciation and amortization)	20,575,080	79,365,204	16,112,041	5,901,572	121,953,897
	<u>635,469,449</u>	<u>640,747,841</u>	<u>101,999,057</u>	<u>19,060,930</u>	<u>1,397,277,277</u>
Other Charges (Income) – net	(2,649,943)	(3,737,417)	84,928	(437,392)	(6,739,831)
Segment Operating Profit	<u>P 99,270,476</u>	<u>P 194,939,357</u>	<u>P 53,852,400</u>	<u>P 2,247,667</u>	<u>P 350,309,900</u>
<u>December 31, 2021</u>					
Statement of Financial Position					
Segment assets	<u>P 443,354,503</u>	<u>P 796,726,439</u>	<u>P 353,522,150</u>	<u>P 165,533,236</u>	<u>P 1,759,136,328</u>
For the year ended					
<u>December 31, 2020</u>					
Statement of Profit or Loss					
Revenues	P 570,578,751	P 432,015,553	P 102,684,324	P 12,409,924	P 1,117,688,552
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	440,574,323	259,153,427	43,153,902	5,894,956	748,776,608
Depreciation and amortization	6,874,138	16,546,943	9,635,464	5,197,752	38,254,297
Other operating expenses (excluding depreciation and amortization)	34,827,684	60,024,314	17,601,250	4,309,274	116,762,522
	<u>482,276,145</u>	<u>335,724,684</u>	<u>70,390,616</u>	<u>15,401,982</u>	<u>903,793,427</u>
Other Charges (Income) – net	3,469,541	(2,942,591)	51,348	(401,606)	176,692
Segment Operating Profit (Loss)	<u>P 84,833,065</u>	<u>P 99,233,460</u>	<u>P 32,242,360</u>	<u>(P 2,590,452)</u>	<u>P 213,718,433</u>
<u>December 31, 2020</u>					
Statement of Financial Position					
Segment assets	<u>P 309,792,057</u>	<u>P 546,580,927</u>	<u>P 335,656,064</u>	<u>P 145,697,994</u>	<u>P 1,337,727,042</u>

Currently, the Company's operation is concentrated within the Philippines for local sales and export sales, which are further broken down as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Domestic	P 1,453,595,706	P 1,248,392,845	P 750,722,480
Foreign:			
Taiwan	238,676,498	440,364,627	344,243,727
Others	<u>68,543,061</u>	<u>52,089,874</u>	<u>22,722,345</u>
Total	<u>P 1,760,815,265</u>	<u>P 1,740,847,346</u>	<u>P 1,117,688,552</u>

The total revenues include revenues from one major customer totalling 13.56% in 2022, 25.09% in 2021 and 30.80% in 2020.

4.5 Reconciliations

Presented below is a reconciliation of the Company's segment information to the key financial information presented in its financial statements.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Profit or Loss			
Segment results	P 389,552,052	P 350,309,900	P 213,718,433
Other unallocated income (charges) - net	572,588	372,864	(398,988)
Other unallocated expenses	(83,808,220)	(55,097,759)	(40,027,400)
Profit before tax as reported in the statements of profit or loss	<u>P 306,316,420</u>	<u>P 295,585,005</u>	<u>P 173,292,045</u>
Assets			
Segment assets	P 1,671,063,709	P 1,759,136,328	P 1,337,727,042
Other unallocated assets	<u>404,862,211</u>	<u>242,472,817</u>	<u>298,977,230</u>
Total assets reported in the statements of financial position	<u>P 2,075,925,920</u>	<u>P 2,001,609,145</u>	<u>P 1,636,704,272</u>
Liabilities			
Unallocated liabilities (see Note 4.2)	<u>P 315,568,274</u>	<u>P 412,728,414</u>	<u>P 358,043,348</u>
Total liabilities reported in the statements of financial position	<u>P 315,568,274</u>	<u>P 412,728,414</u>	<u>P 358,043,348</u>

4.6 Disaggregation of Revenues

When the Company prepares its investor presentations and when the Company's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.4. The Company determines that the categories used in the investor presentations and financial reports used by the Company's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

While all of the Company's revenues from sale of goods are recognized at point in time, a summary of additional disaggregation from the segment revenues are shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Sales channel:</i>			
Contractors and developers	P 920,150,822	P 786,635,982	P 395,969,372
Manufacturers and traders	797,697,282	884,354,784	654,360,302
Wholesalers and retailers	<u>42,967,161</u>	<u>69,856,580</u>	<u>67,358,878</u>
	<u>P1,760,815,265</u>	<u>P1,740,847,346</u>	<u>P1,117,688,552</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	<u>2022</u>	<u>2021</u>
Cash on hand and in banks	P 172,010,255	P 104,564,497
Short-term placements	<u>83,017,120</u>	<u>4,069,194</u>
	<u>P 255,027,375</u>	<u>P 108,633,691</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements have maturity of 30 to 54 days in 2022 and 30 to 90 days in 2021 and 2020, and earn effective interest rates ranging from 3.65% to 4.50% in 2022, 0.20% to 0.30% in 2021 and 0.39% to 0.59% in 2020.

The balance of short-term placements as of December 31, 2022 did not include P4.1 million, which is shown as part of the Prepayment and Other Current Assets account in the 2022 statement of financial position (see Note 8). This amount pertains to a short-term placement with maturity of more than three months but less than one year.

Interest income earned from cash and cash equivalents amounting to P0.1 million, P0.2 million and P0.4 million in 2022, 2021 and 2020, respectively, are presented as part of Finance income under Other Income (Charges) in the statements of profit or loss.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Trade receivables	17.1	P 297,001,065	P 334,964,406
Advances to:			
Suppliers		10,832,766	14,264,424
Officers and employees		2,808,851	2,373,067
Other receivables	17.3	<u>48,181</u>	<u>3,729,342</u>
		310,690,863	355,331,239
Allowance for impairment		(<u>16,268,782</u>)	(<u>16,268,782</u>)
		<u>P 294,422,081</u>	<u>P 339,062,457</u>

Trade receivables are due from various customers and have credit terms of 30 to 90 days. Of the total outstanding trade receivables, P45.7 million and P48.3 million as of December 31, 2022 and 2021, respectively, are guaranteed by customers' post-dated checks in the custody of the Company.

In 2022, the Company received a parcel of land from a certain customer as equivalent to the payment of its outstanding debt amounting to P1.3 million. The land received is presented as part of Property, Plant and Equipment in the 2022 statement of financial position (see Note 9). There was no similar transaction in 2021.

Advances to suppliers pertain to down payments made by the Company for the purchase of goods, included under Trade and Other Receivables, and/or machineries, included under Other Non-current Assets (see Note 10). The advance payments will be set-off as partial payments on the amounts due to the suppliers once full delivery of goods or assets is made and the subsequent billings have been made by the suppliers.

Advances to officers and employees are personal cash advances that are settled through salary deduction.

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	Note	2022	2021
Balance at beginning of year		P 16,268,782	P 14,976,073
Impairment losses	14	43,833	1,292,709
Write-off		(43,833)	-
Balance at end of year		<u>P 16,268,782</u>	<u>P 16,268,782</u>

All of the Company's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired using the provisional matrix as determined by management; hence, adequate amounts of allowance for impairment have been recognized [see Note 21.2(b)]. Impairment losses recognized are presented under Other Operating Expenses in the statements of profit or loss (see Note 14).

In 2022, the Company wrote-off certain receivables which are deemed uncollectible based on management's evaluation. There was no similar transaction in 2021.

7. INVENTORIES

Inventories are all stated at cost which is lower than their net realizable value. The details of inventories are shown below.

	2022	2021
Finished goods	P 364,470,016	P 336,984,581
Raw materials	328,211,873	351,782,791
Supplies	9,172,973	8,388,261
Packaging materials	3,756,499	3,565,697
Work-in-process	<u>76,023</u>	<u>176,730</u>
	<u>P 705,687,384</u>	<u>P 700,898,060</u>

An analysis of the cost of inventories included in cost of goods sold is presented in Note 13.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Prepaid expenses		P 4,114,508	P 1,895,281
Input VAT		108,363,277	136,029,155
Short-term placement	5	<u>4,104,651</u>	<u>-</u>
		<u>P 116,582,436</u>	<u>P 137,924,436</u>

Prepaid expenses include, among others, prepaid taxes, prepayments for insurance and freight related to the distribution of the Company's goods.

Short-term placement has a term of 98 days and earn effective interest of 3.7%. Interest income earned from short-term placement is presented as part of Finance income under Other Income (Charges) in the 2022 statement of profit or loss.

9. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2022 and 2021 are shown below.

	<u>At Revalued Amount</u>		<u>At Cost</u>						
	<u>Land</u>	<u>Land Improvements</u>	<u>Building and Improvements</u>	<u>Transportation Equipment</u>	<u>Machineries, Factory, and Other Equipment</u>	<u>Furniture, Fixtures and Office Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>	
December 31, 2022									
Cost or valuation	P447,869,913	P 4,699,884	P 153,302,706	P 54,934,297	P 496,528,805	P 69,258,752	P 5,623,278	P1,232,217,635	
Accumulated depreciation and amortization	<u>-</u>	<u>(2,555,033)</u>	<u>(98,994,532)</u>	<u>(36,947,122)</u>	<u>(382,442,132)</u>	<u>(39,321,805)</u>	<u>-</u>	<u>(560,260,624)</u>	
Net carrying amount	<u>P447,869,913</u>	<u>P 2,144,851</u>	<u>P 54,308,174</u>	<u>P 17,987,175</u>	<u>P 114,086,673</u>	<u>P 29,936,947</u>	<u>P 5,623,278</u>	<u>P 671,957,011</u>	
December 31, 2021									
Cost or valuation	P446,596,000	P 4,699,884	P 144,558,893	P 49,310,828	P 483,854,861	P 62,584,905	P 8,089,655	P1,199,695,026	
Accumulated depreciation and amortization	<u>-</u>	<u>(2,218,885)</u>	<u>(90,193,032)</u>	<u>(35,469,278)</u>	<u>(360,577,470)</u>	<u>(34,437,478)</u>	<u>-</u>	<u>(522,896,143)</u>	
Net carrying amount	<u>P446,596,000</u>	<u>P 2,480,999</u>	<u>P 54,365,861</u>	<u>P 13,841,550</u>	<u>P 123,277,391</u>	<u>P 28,147,427</u>	<u>P 8,089,655</u>	<u>P 676,798,883</u>	
January 1, 2021									
Cost or valuation	P326,566,000	P 4,699,884	P 142,584,174	P 49,888,150	P 464,417,579	P 60,064,271	P 3,533,631	P1,051,753,689	
Accumulated depreciation and amortization	<u>-</u>	<u>(1,882,737)</u>	<u>(81,387,046)</u>	<u>(32,867,948)</u>	<u>(339,787,346)</u>	<u>(29,797,219)</u>	<u>-</u>	<u>(485,722,296)</u>	
Net carrying amount	<u>P326,566,000</u>	<u>P 2,817,147</u>	<u>P 61,197,128</u>	<u>P 17,020,202</u>	<u>P 124,630,233</u>	<u>P 30,267,052</u>	<u>P 3,533,631</u>	<u>P 566,031,393</u>	

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2022, 2021 and 2020 is shown below.

	At Revalued Amount		At Cost					
	Land	Land Improvements	Building and Improvements	Transportation Equipment	Machineries, Factory, and Other Equipment	Furniture, Fixtures and Office Equipment	Construction in Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 446,596,000	P 2,480,999	P 54,365,861	P 13,841,550	P 123,277,391	P 28,147,427	P 8,089,655	P 676,798,883
Additions	1,273,913	-	8,243,437	7,635,892	13,622,425	2,570,040	2,137,806	35,483,513
Reclassification	-	-	500,376	-	-	4,103,807	(4,604,183)	-
Disposals – net	-	-	-	-	(837,825)	-	-	(837,825)
Depreciation and amortization charges for the year	-	(336,148)	(8,801,500)	(3,490,267)	(21,975,318)	(4,884,327)	-	(39,487,560)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 447,869,913</u>	<u>P 2,144,851</u>	<u>P 54,308,174</u>	<u>P 17,987,175</u>	<u>P 114,086,673</u>	<u>P 29,936,947</u>	<u>P 5,623,278</u>	<u>P 671,957,011</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 326,566,000	P 2,817,147	P 61,197,128	P 17,020,202	P 124,630,233	P 30,267,052	P 3,533,631	P 566,031,393
Revaluation	119,102,900	-	-	-	-	-	-	119,102,900
Additions	927,100	-	429,999	102,679	39,946,606	2,439,634	6,181,744	50,027,762
Reclassification	-	-	1,544,720	-	-	81,000	(1,625,720)	-
Disposals – net	-	-	-	-	(20,451,975)	-	-	(20,451,975)
Depreciation and amortization charges for the year	-	(336,148)	(8,805,986)	(3,281,331)	(20,847,473)	(4,640,259)	-	(37,911,197)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 446,596,000</u>	<u>P 2,480,999</u>	<u>P 54,365,861</u>	<u>P 13,841,550</u>	<u>P 123,277,391</u>	<u>P 28,147,427</u>	<u>P 8,089,655</u>	<u>P 676,798,883</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 326,566,000	P 3,153,295	P 68,543,760	P 21,125,083	P 137,220,602	P 28,560,436	P 1,466,102	P 586,635,278
Additions	-	-	506,627	519,643	7,236,030	3,236,753	5,335,600	16,834,653
Reclassification	-	-	740,205	-	120,000	2,407,866	(3,268,071)	-
Disposals – net	-	-	-	(1,058,501)	-	-	-	(1,058,501)
Depreciation and amortization charges for the year	-	(336,148)	(8,593,464)	(3,566,023)	(19,946,399)	(3,938,003)	-	(36,380,037)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P 326,566,000</u>	<u>P 2,817,147</u>	<u>P 61,197,128</u>	<u>P 17,020,202</u>	<u>P 124,630,233</u>	<u>P 30,267,052</u>	<u>P 3,533,631</u>	<u>P 566,031,393</u>

Land is stated at revalued amount, being the fair value at the date of revaluation in 2021. The revaluation surplus, net of applicable deferred tax expense, is presented as part of the Revaluation Reserves account in the statements of financial position (see Note 18.5).

Had the land been carried using the cost model, the carrying amount would have been P144.4 million and P143.1 million as of December 31, 2022 and 2021, respectively. The fair value of land is determined periodically on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process was conducted by an independent appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the land, and the comparable prices in the corresponding property location. Other information on the basis of fair value measurement and disclosures related to land is presented in Note 23.3.

Construction in progress as of December 31, 2022 pertains to the accumulated costs incurred for the construction of mini-plant in Davao City, staff house for Corporate Division and cistern tank for Pipes Division. Construction in progress as of December 31, 2021 pertains to the accumulated costs incurred for the construction of warehouse for Roofing Division and production buildings and extension of warehouse shed for finished goods and raw materials warehouse for Pipes Division, which was completed in 2022.

The percentage of completion of construction in progress ranges from 85% to 90% and 80% to 90% as of December 31, 2022 and 2021, respectively. The remaining ongoing projects are expected to be completed by the first quarter of 2023, except for the mini-plant in Davao City as the completion of the construction of such facility is still indefinite due to the disruptions caused by the COVID-19 pandemic. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing projects.

There were no borrowing costs capitalized in 2022, 2021 and 2020.

The amount of depreciation and amortization (see Notes 13 and 14) is allocated and presented in the statements of profit or loss under the following line items:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of goods sold	P25,600,847	P24,611,957	P 23,373,679
Other operating expenses	<u>13,886,713</u>	<u>13,299,240</u>	<u>13,006,358</u>
	<u>P39,487,560</u>	<u>P37,911,197</u>	<u>P 36,380,037</u>

In 2022, 2021 and 2020, the Company recognized a gain on disposal of transportation equipment totalling to P0.8 million, P0.2 million and P0.5 million, respectively, which was presented as part of Other income under Other Income (Charges) in the statements of profit or loss.

In 2022, the Company sold certain machinery and equipment with a carrying value of P0.8 million to a related party for P0.9 million (see Note 17.3). Further, in 2021, the Company purchased certain machinery and equipment amounting to P20.1 million, which was directly paid to the supplier by a related party in favor of the Company. The same machinery and equipment were subsequently disposed of and sold directly to the same related party for P20.7 million (see Note 17.3). The gain on the disposals of machinery and equipment amounting to P0.01 million and P0.6 million in 2022 and 2021, respectively, were presented as part of Other income under Other Income (Charges) in the 2022 and 2021 statements of profit or loss.

Transportation equipment with a total carrying value of P5.3 million and P8.7 million as of December 31, 2022 and 2021, respectively, are used as collateral for car loans (see Note 11.2).

As of December 31, 2022 and 2021, the gross carrying amounts of the Company's fully depreciated and amortized property, plant and equipment that are still being used are P120.3 million and P115.2 million, respectively. The Company has no idle properties in any of the years presented.

10. OTHER NON-CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Deferred input VAT		P 4,498,320	P 4,719,199
Advances to suppliers	6	4,200,923	9,902,829
Security deposits	12, 17.4	3,472,104	3,317,864
Trademarks – net		207,968	265,559
Others		436,809	311,089
		<u>P 12,816,124</u>	<u>P 18,516,540</u>

Deferred input VAT pertains to the unamortized input VAT from the acquisition of capital assets made prior to January 1, 2022 as required by the BIR to be amortized and reported for VAT reporting purposes over the useful lives of the assets or 60 months, whichever is shorter.

Security deposits are payments made to utility companies and lessors of office spaces and warehouses upon execution of the service and lease contracts. These payments will be refunded in cash at the termination of the contract. As the utility services, for which the account significantly represents, are expected to be renewed indefinitely, the present value of these financial assets cannot be determined and thus, are carried at cost. As such, the carrying amount of the security deposits is a reasonable approximation of its fair value (see Note 22.1).

Trademarks pertain to the capitalized costs of application and registration with the Intellectual Property Office and Bureau of Product Standards of the Company's logo and brand emblems used as identifying markers of the Company's products. The carrying values of trademarks were presented net of accumulated amortization amounting to P0.2 million and P0.3 million as of December 31, 2022 and 2021, respectively.

The amount of amortization relating to trademarks shown as part of Depreciation and amortization (see Notes 13 and 14) is allocated and presented in the statements of profit or loss under the following line items:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of goods sold	P -	P 8,285	P -
Other operating expense	<u>65,593</u>	<u>56,205</u>	<u>64,644</u>
	<u>P 65,593</u>	<u>P 64,490</u>	<u>P 64,644</u>

11. LOANS AND PAYABLES

11.1 Trade and Other Payables

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade payables	17.2	P 141,779,044	P 252,040,810
Advances from customers		47,717,250	34,697,742
Accrued expenses	11.2	8,786,696	6,794,267
Others		<u>16,233,421</u>	<u>18,269,317</u>
		<u>P 214,516,411</u>	<u>P 311,802,136</u>

Advances from customers pertain to advance payments received from customers to guarantee goods placed for order to the Company. Upon delivery of goods ordered by the customer, the Company sets off these advances to the total amount of receivable from the customer.

Accrued expenses are liabilities arising from unpaid salaries, interest, utilities and other operating expenses.

Others include withholding taxes, government insurance and retention commissions payable withheld by the Company from its commission agents as security bond for any unliquidated cash advances.

11.2 Mortgage and Loan Payables

The composition of this account is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current		P 1,984,626	P 2,246,361
Non-current		<u>333,679</u>	<u>2,316,587</u>
	9	<u>P 2,318,305</u>	<u>P 4,562,948</u>

In 2022, the Company entered into short-term loan agreements with various local banks for working capital purposes. The short-term loans obtained, which bear fixed annual interest ranging from 3.75% to 4.00%, have been settled in the same year. There was no collateral used for any of the Company's short-term loans. There were no similar loans obtained with local banks in 2021.

In 2019 and prior years, the Company entered into car loan agreements with various local banks for the acquisition of certain transportation equipment and motor vehicles, which are then mortgaged to the banks. The carrying value of these assets amounted to P5.3 million and P8.7 million as of December 31, 2022 and 2021, respectively (see Note 9). The car loans bear fixed annual effective interest which ranges from 7.25% to 9.95% and have terms of five years, payable monthly. The related outstanding balances are presented as Mortgage and Loan Payables in the statements of financial position.

There are no loan covenants on the Company's mortgage and loan payables as of December 31, 2022 and 2021.

Interest expense related to the short-term loans and mortgage payables amounted to P0.7 million, P0.5 million and P1.3 million in 2022, 2021 and 2020, respectively, and is shown as part of Finance costs - net under Other Income (Charges) in the statements of profit or loss. There were no borrowing costs capitalized in 2022, 2021 and 2020. Accrued interest amounting to P0.03 million as of December 31, 2022 and 2021 is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 11.1).

A reconciliation of the Company's short-term loans and mortgage payables as required by PAS 7, *Statement of Cash Flows*, is as follows:

	<u>Short-term Loans</u>	<u>Mortgage Payables</u>	<u>Total</u>
Balance as of January 1, 2022	P -	P 4,562,948	P 4,562,948
Cash flows from financing activities:			
Additional borrowings	70,000,000	-	70,000,000
Payments made	(70,000,000)	(2,239,172)	(72,239,172)
Interest paid	(383,056)	(294,898)	(677,954)
Non-cash financing activity –			
Interest expense	<u>383,056</u>	<u>289,427</u>	<u>672,483</u>
Balance as of December 31, 2022	<u>P -</u>	<u>P 2,318,305</u>	<u>P 2,318,305</u>
Balance as of January 1, 2021	P -	P 7,042,228	P 7,042,228
Cash flows from financing activities:			
Payments made	-	(2,477,127)	(2,477,127)
Interest paid	-	(474,923)	(474,923)
Non-cash financing activity –			
Interest expense	<u>-</u>	<u>472,770</u>	<u>472,770</u>
Balance as of December 31, 2021	<u>P -</u>	<u>P 4,562,948</u>	<u>P 4,562,948</u>
Balance as of January 1, 2020	P -	P 10,109,651	P 10,109,651
Cash flows from financing activities:			
Additional borrowings	35,000,000	-	35,000,000
Payments made	(35,000,000)	(3,075,046)	(38,075,046)
Interest paid	(788,229)	(533,163)	(1,321,392)
Non-cash financing activity –			
Interest expense	<u>788,229</u>	<u>540,786</u>	<u>1,329,015</u>
Balance as of December 31, 2020	<u>P -</u>	<u>P 7,042,228</u>	<u>P 7,042,228</u>

12. LEASES

The Company is a lessee under non-cancellable operating leases covering its warehouses and office spaces. The lease for warehouses has a term of three to 10 years, and includes annual escalation rate of 5.00% to 10.00%, while the leases for office space have terms of two to five years with annual escalation rates ranging from 5.00% to 10.00%. All leases have renewal options. Generally, termination of lease contracts shall be communicated to the lessee by the lessor 30 to 60 days prior to the termination or expiration of the lease contract. With the exception of short-term leases, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets and lease liabilities as a separate line item in the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. The Company must keep those properties in a good state of repair and return the properties in their same and good condition less ordinary wear and tear at the end of the lease. Further, the Company must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Company's office and warehouse. Related security deposits for these leases amounted to P1.1 million and P1.0 million as at December 31, 2022 and 2021, respectively, and are presented as part of Security deposits under Other Non-current Assets in the statements of financial position (see Note 10).

12.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as at December 31, 2022 and 2021 and the movements during the reporting periods are shown below.

	<u>Warehouses</u>	<u>Office</u>	<u>Total</u>
Balance as of January 1, 2022	P 15,629,029	P 1,209,493	P 16,838,522
Additions	-	2,183,007	2,183,007
Depreciation	(2,956,789)	(1,302,364)	(4,259,153)
Balance as of December 31, 2022	<u>P 12,672,240</u>	<u>P 2,090,136</u>	<u>P 14,762,376</u>
Balance as of January 1, 2021	P 18,585,818	P 2,434,206	P 21,020,024
Depreciation	(2,956,789)	(1,224,713)	(4,181,502)
Balance as of December 31, 2021	<u>P 15,629,029</u>	<u>P 1,209,493</u>	<u>P 16,838,522</u>

In 2020, two lease contracts were pre-terminated resulting in derecognition of right-of-use assets and lease liabilities with carrying values of P1.5 million and P1.7 million, respectively, and recognition of a gain on pre-termination of leases amounting to P0.2 million. The related gain is presented as part of Other income under Other Income (Charges) in the 2020 statement of profit or loss. There was no similar transaction in 2022 and 2021.

Further, in 2020, a lease contract was modified reducing the leased space from two warehouses to only one warehouse. This resulted in derecognition of right-of-use asset and lease liability with carrying values of P15.1 million and P16.0 million, respectively, and recognition of a gain on lease modification amounting to P0.9 million. The related gain is presented as part of Other income under Other Income (Charges) in the 2020 statement of profit or loss. There was no similar transaction in 2022 and 2021.

The depreciation expense relating to right-of-use assets is presented as part of Depreciation and amortization under the Other Operating Expenses in the statements of profit or loss (see Note 14).

12.2 Lease Liabilities

Total outstanding balance of lease liabilities as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current	P 4,332,370	P 3,571,012
Non-current	<u>13,088,724</u>	<u>15,666,756</u>
	<u>P 17,421,094</u>	<u>P 19,237,768</u>

The movements in the lease liabilities recognized in the statements of financial position as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 19,237,768	P 22,704,534
Additions	2,183,007	-
Repayments of lease liabilities	(5,384,929)	(5,004,435)
Interest accretion	<u>1,385,248</u>	<u>1,537,669</u>
Balance at end of year	<u>P 17,421,094</u>	<u>P 19,237,768</u>

The use of termination option to certain lease contracts gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location. The future cash outflows to which the Company is potentially exposed to that are not reflected in the measurement of lease liabilities represent the amount of remaining utility bills until clearance from the contract, other damages to the premises, and the security deposits and advance rentals to be forfeited (if any). An option is only exercised when consistent with the Company's business strategy and the economic benefits of exercising such option exceeds the expected overall cost.

As of December 31, 2022 and 2021, the Company has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities as of December 31, 2022 and 2021 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
2022:							
Lease payments	P 5,478,533	P 3,164,183	P 2,600,504	P 2,584,677	P 2,713,911	P 5,065,966	P 21,607,774
Finance charges	(1,146,163)	(902,894)	(746,163)	(606,799)	(448,761)	(335,900)	(4,186,680)
Net present values	<u>P 4,332,370</u>	<u>P 2,261,289</u>	<u>P 1,854,341</u>	<u>P 1,977,878</u>	<u>P 2,265,150</u>	<u>P 4,730,066</u>	<u>P 17,421,094</u>
2021:							
Lease payments	P 4,860,789	P 4,535,537	P 2,344,378	P 2,461,597	P 2,584,677	P 7,779,878	P 24,566,856
Finance charges	(1,289,777)	(1,040,033)	(863,430)	(744,387)	(606,799)	(784,662)	(5,329,088)
Net present values	<u>P 3,571,012</u>	<u>P 3,495,504</u>	<u>P 1,480,948</u>	<u>P 1,717,210</u>	<u>P 1,977,878</u>	<u>P 6,995,216</u>	<u>P 19,237,768</u>

12.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases amounted to P0.9 million, P1.2 million and P1.5 million in 2022, 2021 and 2020, respectively, and is presented as Rentals under Other Operating Expenses in the statements of profit or loss (see Note 14).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P5.4 million, P5.0 million and P6.7 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P1.4 million, P1.5 million and P2.9 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance costs - net under Other Income (Charges) in the statements of profit or loss.

13. COST OF GOODS SOLD

The details of cost of goods sold are shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Finished goods at beginning of year	7	<u>P 336,984,581</u>	<u>P 269,619,491</u>	<u>P 270,227,337</u>
Cost of goods manufactured:				
Raw materials at beginning of year	7	351,782,791	187,587,769	211,011,861
Net purchases during the year		1,096,261,992	1,393,521,757	664,396,952
Direct labor	15.1	23,939,088	23,192,067	17,072,797
Manufacturing overhead	9, 10, 15.1	102,396,253	76,857,033	66,480,645
Raw materials at end of year	7	(328,211,873)	(351,782,791)	(187,587,769)
Work-in-process at beginning of year	7	176,730	443,208	611,164
Work-in-process at end of year	7	(76,023)	(176,730)	(443,208)
		<u>1,246,268,958</u>	<u>1,329,642,313</u>	<u>771,542,442</u>
Finished goods at end of year	7	(364,470,016)	(336,984,581)	(269,619,491)
	14	<u>P 1,218,783,523</u>	<u>P 1,262,277,223</u>	<u>P 772,150,288</u>

14. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2022	2021	2020
Materials used in production		P 1,119,832,910	P 1,229,326,735	P 687,821,044
Salaries and employee benefits	15.1	139,502,186	110,967,837	85,282,828
Utilities		46,379,314	34,386,085	25,446,649
Depreciation and amortization	9, 10, 12.1	43,812,306	42,157,189	42,261,701
Outside services		35,852,689	28,715,589	24,476,366
Changes in finished goods		(27,485,435)	(67,365,090)	607,846
Transportation and travel		20,570,656	11,868,923	8,221,023
Taxes and licenses		11,978,197	10,841,498	9,953,332
Repairs and maintenance		10,931,493	6,499,748	6,933,138
Advertising and promotions		9,559,675	4,793,675	4,369,438
Supplies		9,114,833	7,268,305	9,968,715
Professional fees	17.6	8,262,273	7,078,639	6,874,796
Delivery		3,149,378	5,977,403	9,903,219
Representation		2,081,617	1,699,407	1,561,833
Insurance		1,431,531	1,837,170	1,920,994
Rentals	12.3, 17.4	862,174	1,169,619	1,450,024
Changes in work-in-process		100,707	266,478	167,956
Impairment loss on trade receivables	6	43,833	1,292,709	2,175,306
Miscellaneous		23,847,239	13,593,117	14,424,619
		<u>P 1,459,827,576</u>	<u>P 1,452,375,036</u>	<u>P 943,820,827</u>

These expenses are classified in the statements of profit or loss as follows:

	Note	2022	2021	2020
Cost of goods sold	13	P 1,218,783,523	P 1,262,277,223	P 772,150,288
Other operating expenses		<u>241,044,053</u>	<u>190,097,813</u>	<u>171,670,539</u>
		<u>P 1,459,827,576</u>	<u>P 1,452,375,036</u>	<u>P 943,820,827</u>

15. EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Notes	2022	2021	2020
Short-term employee benefits		P 136,237,984	P 112,714,037	P 80,827,929
Post-employment defined benefits expense (income)	15.2(b)	<u>3,264,202</u>	<u>(1,746,200)</u>	<u>4,454,899</u>
	14	<u>P 139,502,186</u>	<u>P 110,967,837</u>	<u>P 85,282,828</u>

Salaries and employee benefits are allocated in the statements of profit or loss as follows:

	Notes	2022	2021	2020
Cost of goods sold	13	P 26,679,496	P 25,953,979	P 19,038,759
Other operating expenses		<u>112,822,690</u>	<u>85,013,858</u>	<u>66,244,069</u>
	14	<u>P 139,502,186</u>	<u>P 110,967,837</u>	<u>P 85,282,828</u>

15.2 Post-employment Defined Benefit Plan

(a) Characteristics of Post-employment Defined Benefit Plan

The Company maintains a tax-qualified, partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees. The Company conforms with the minimum regulatory benefit of Republic Act (R.A.) 7641, *The Retirement Pay Law*, which is of a defined benefit type and provides for a lump sum retirement benefit equal to 22.5-day pay for every year of credited service. The normal retirement age is 60 with a minimum of five years of credited service. In 2021, the Company's BOD approved the amendment on the Company's post-employment defined benefit plan, which resulted in the recognition of past service cost in the same year. There was no similar amendment approved in 2022.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021. The amounts of post-employment defined benefit asset recognized in the statements of financial position are determined as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets	P 35,235,264	P 37,366,391
Present value of the obligation	(29,907,110)	(34,285,063)
	5,328,154	3,081,328
Effect of the asset ceiling	(657,021)	(144,772)
	<u>P 4,671,133</u>	<u>P 2,936,556</u>

The movements in the fair value of plan assets are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 37,366,391	P 39,140,723
Interest income	1,842,163	1,542,190
Benefits paid	-	(195,880)
Remeasurement loss on return on plan assets	(3,973,290)	(3,120,642)
Balance at end of year	<u>P 35,235,264</u>	<u>P 37,366,391</u>

The composition of the fair value of plan assets at the end of the reporting periods by category and risk characteristics is shown below.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	P 395,907	P 1,152,278
Debt securities:		
Philippine government bonds	28,665,201	29,341,797
Other bonds	207,818	-
Unit investment trust funds (UITF)	5,629,191	5,491,249
Others	<u>337,147</u>	<u>1,381,067</u>
	<u>P 35,235,264</u>	<u>P 37,366,391</u>

Others comprise of accrued interest receivables, other receivables and accrued expenses.

The fair value of debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). While UITF is classified as Level 2 on which the fair value was derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines (see Note 23.1).

The movements in the effect of the asset ceiling are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 144,772	P -
Remeasurement loss	505,112	144,772
Interest cost	<u>7,137</u>	<u>-</u>
Balance at end of year	<u>P 657,021</u>	<u>P 144,772</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 34,285,063	P 39,189,579
Current service cost	3,264,202	3,158,316
Interest cost	1,690,254	1,547,988
Past service cost	-	(4,904,516)
Benefits paid	-	(195,880)
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	(9,039,371)	1,615,090
Experience adjustments	(293,797)	(6,152,254)
Changes in demographic assumptions	<u>759</u>	<u>26,740</u>
Balance at end of year	<u>P 29,907,110</u>	<u>P 34,285,063</u>

The components of amounts recognized in profit or loss and in other comprehensive income or loss in respect of the defined benefit post-employment plan are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Recognized in profit or loss:</i>			
Current service cost	P 3,264,202	P 3,158,316	P 4,454,899
Net interest expense (income)	(144,772)	5,798	540,734
Past service cost	<u>-</u>	<u>(4,904,516)</u>	<u>-</u>
	<u>P 3,119,430</u>	<u>(P 1,740,402)</u>	<u>P 4,995,633</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Recognized in other comprehensive income or loss:</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(P 9,039,371)	P 1,615,090	(P 910,562)
Experience adjustments	(293,797)	(6,152,254)	(7,667,103)
Changes in demographic assumptions	759	26,740	-
Remeasurement losses (gains) arising from:			
Plan assets	3,973,290	3,120,642	(610,588)
Changes in the effect of the asset ceiling	<u>505,112</u>	<u>144,772</u>	<u>-</u>
	<u>(P 4,854,007)</u>	<u>(P 1,245,010)</u>	<u>(P 9,188,253)</u>

The current service cost and past service cost are included as part of Salaries and employee benefits under Cost of Goods Sold and Other Operating Expenses in the statements of profit or loss (see Notes 13 and 14).

The net interest income (expense) is included as part of Finance costs - net under Other Income (Charges) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment benefit obligation, the following significant assumptions were used:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discount rate	7.22%	4.93%	3.95%
Salary increase rate	4.00%	5.00%	3.50%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 in 2022 and 2021 is 23.6 years and 24.3 years, respectively. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds, with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Risks*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

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

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2022 and 2021:

	Impact on Post-Employment Defined Benefit Obligation		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2022</u>			
Discount rate	+/- 1.0%	(P 1,776,503)	P 2,148,913
Salary growth rate	+/- 1.0%	2,199,008	(1,842,512)
<u>December 31, 2021</u>			
Discount rate	+/- 1.0%	(P 2,925,021)	P 3,608,489
Salary growth rate	+/- 1.0%	3,568,065	(2,948,571)

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

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

(ii) *Asset-liability Matching Strategies*

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

A large portion of the plan assets as of December 31, 2022 and 2021 consists of debt securities and readily available cash and cash equivalents, pending placement in investments with balanced risks and rewards optimization. The Company also has UITF for liquidity purposes.

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

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P5.3 million based on the latest actuarial valuation.

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

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

	<u>2022</u>	<u>2021</u>
Within one year to five years	P 18,776,936	P 16,255,787
More than five years to ten years	<u>8,216,857</u>	<u>8,346,564</u>
	<u>P 26,993,793</u>	<u>P 24,602,351</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.6 years.

16. CURRENT AND DEFERRED TAXES

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and has been effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Company, is lower by P4.3 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

Also, in 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a net decrease in the recognized deferred tax liabilities in 2020 by P8.3 million and such was recognized as addition in the 2021 profit or loss amounting to P1.1 million and reduction in the 2021 other comprehensive income amounting to P9.4 million.

The components of tax expense as reported in profit or loss and other comprehensive income follow:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% in 2022 and 2021 and 30% in 2020	P 78,546,963	P 73,922,178	P 52,114,118
Final tax at 20% and 15%	27,021	32,576	68,030
Effect of the change in income tax rate	<u>-</u>	<u>(4,342,844)</u>	<u>-</u>
	<u>78,573,984</u>	<u>69,611,910</u>	<u>52,182,148</u>
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	(1,157,874)	556,163	(139,192)
Effect of the change in income tax rate	<u>-</u>	<u>1,110,773</u>	<u>-</u>
	<u>(1,157,874)</u>	<u>1,666,936</u>	<u>(139,192)</u>
	<u>P 77,416,110</u>	<u>P 71,278,846</u>	<u>P 52,042,956</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax expense arising from:			
Revaluation increment on land and remeasurements of post-employment defined benefit plan	P 1,213,502	P 30,086,978	P 2,756,476
Effect of the change in income tax rate	<u>-</u>	<u>(9,392,094)</u>	<u>-</u>
	<u>P 1,213,502</u>	<u>P 20,694,884</u>	<u>P 2,756,476</u>

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense reported in profit or loss follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pre-tax profit at 25% in 2022 and 2021 and 30% in 2020	P 76,579,105	P 73,896,251	P 51,987,614
Tax effects of non-deductible expenses	843,800	622,978	94,596
Adjustment for income subjected to lower tax rates	(6,795)	(8,312)	(39,254)
Effect of the change in income tax rate	<u>-</u>	<u>(3,232,071)</u>	<u>-</u>
Tax expense reported in profit or loss	<u>P 77,416,110</u>	<u>P 71,278,846</u>	<u>P 52,042,956</u>

The net deferred tax liabilities relate to the following as of December 31:

		Statements of Financial Position	
		2022	2021
Deferred tax assets:			
Impairment loss on trade and other receivables	P	4,067,196	P 4,067,196
Effect of PFRS 16		745,679	680,811
Unamortized past service cost		<u>470,795</u>	<u>787,888</u>
		<u>5,283,670</u>	<u>5,535,895</u>
Deferred tax liabilities:			
Revaluation increment on land	(	75,877,163)	(75,877,163)
Post-employment defined benefit asset	(	1,167,783)	(734,139)
Unrealized foreign currency gains - net	(	<u>344,098</u>	(<u>974,339</u>)
	(	<u>77,389,044</u>	(<u>77,585,641</u>)
Net Deferred Tax Liabilities	(P	<u>72,105,374</u>	(P <u>72,049,746</u>)

		Statements of Profit or Loss and Statements of Comprehensive Income					
		Profit or Loss			Other Comprehensive Income		
		2022	2021	2020	2022	2021	2020
Deferred tax assets:							
Unamortized past service cost	P	317,093	P 606,436	P 448,857	P -	P -	P -
Effect of PFRS 16	(	64,868)	(78,258)	(280,135)	-	-	-
Post-employment defined benefit obligation	-	-	1,045,497	(7,399)	-	(1,030,840)	2,756,476
Impairment loss on trade and other receivables	-	-	425,626	(652,592)	-	-	-
Unrealized foreign currency losses - net	-	-	-	195,520	-	-	-
		<u>252,225</u>	<u>1,999,301</u>	<u>(1,009,749)</u>	<u>-</u>	<u>(1,030,840)</u>	<u>2,756,476</u>
Deferred tax liabilities:							
Post-employment defined benefit asset	(	779,858)	(436,147)	-	1,213,502	1,170,286	-
Unrealized foreign currency gains - net	(	630,241)	103,782	870,557	-	-	-
Revaluation increment on land	-	-	-	-	-	20,555,438	-
	(	<u>1,410,099</u>	<u>(332,365)</u>	<u>870,557</u>	<u>1,213,502</u>	<u>21,725,724</u>	<u>-</u>
Net Deferred Tax Expense (Income)	(P	<u>1,157,874</u>	P <u>1,666,936</u>	(P <u>139,192</u>)	P <u>1,213,502</u>	P <u>20,694,884</u>	P <u>2,756,476</u>

The Company is subject to MCIT which is computed at 1% in 2022 and 2021, and 2% in 2020 of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was recognized in 2022, 2021 and 2020 as the RCIT was higher than MCIT in those years.

In 2022, 2021 and 2020, the Company claimed itemized deductions in computing for its income tax due.

17. RELATED PARTY TRANSACTIONS

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

The summary of the Company's transactions with its related parties for the years ended December 31, 2022, 2021 and 2020 and the outstanding balances as of December 31, 2022 and 2021 are as follows:

		Amounts of Transactions		
	Note	2022	2021	2020
Related Parties Under Common Ownership:				
Sale of goods (sales return) - net	17.1	(P 3,820,995)	P 23,993,440	P 25,138,418
Purchase of goods and services	17.2	111,003,901	103,143,913	58,032,825
Advances granted	17.3	10,274	1,784	1,710
Sale of machinery and equipment	17.3	851,105	20,729,566	-
Lease of properties	17.4	540,000	840,089	421,071
Right-of-use asset	17.4	2,183,007	-	(1,504,018)
Lease liabilities	17.4	(623,337)	1,434,873	3,061,052
Depreciation	17.4	1,302,364	1,224,713	1,293,739
Interest expense	17.4	163,659	148,732	234,980
Gain on pre-termination of leases	17.4	-	-	149,694
Security deposit	17.4	20,679	19,654	(146,926)
Consultation services	17.6	-	1,364,909	867,500
Stockholder –				
Write-off of advances obtained	17.3	-	46,057	-
Key Management Personnel –				
Compensation	17.5	79,110,392	47,203,746	45,698,751
		Outstanding Balances		
	Note	2022	2021	
Related Parties Under Common Ownership:				
Sale of goods	17.1	P 130,401	P 6,008,239	
Purchase of goods and services	17.2	(104,163)	(1,873,088)	
Advances granted	17.3	19,792	3,104,232	
Right-of-use assets	17.4	2,090,136	1,209,493	
Lease liabilities	17.4	(2,329,233)	(1,542,237)	
Security deposit	17.4	299,111	278,432	

The Company's outstanding receivables with related parties were subjected to impairment using the requirements of PFRS 9. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties. There were no impairment losses recognized for these receivables from related parties in 2022, 2021 and 2020 [see Note 21.2(b)].

17.1 Sale of Goods

The Company sells finished goods to related parties under common ownership. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods, which are generally noninterest-bearing, unsecured and settled through cash within three to six months, are presented as part of Trade receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

17.2 Purchase of Goods and Services

Goods and services are purchased on the basis of the price lists in force with non-related parties. The related outstanding payables for goods and services purchased in 2022 and 2021 are presented as part of Trade payables under Trade and Other Payables in the statements of financial position (see Note 11.1). The outstanding payables from purchase of goods and services are generally noninterest-bearing, unsecured and settled through cash within three months.

The Company acquires the services of Husky Plastics Corporation (Husky), a related party under common ownership, for the conversion of its pipe fittings. The Company provides its own raw materials to Husky for processing into finished goods. Once the processing is completed, the Company records the amount incurred for the services of Husky as part of the finished goods based on the billings received. The basis of the price charged to the Company is in line with Husky's prevailing market rates. The related outstanding payables for these services from Husky as of December 31, 2022 and 2021 are presented as part of Trade payables under Trade and Other Payables in the statements of financial position (see Note 11.1). The outstanding payables from purchase of services are generally noninterest-bearing, unsecured and settled through cash within three months.

17.3 Advances to/from Related Parties

The Company grants/obtains unsecured, noninterest-bearing advances to/from its related parties under common ownership and certain stockholders. These advances are repayable either in cash or through offsetting. The outstanding balance of receivable from related party advances is presented as part of Other receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

In 2022, the Company sold certain machinery and equipment with a carrying amount of P0.8 million to a related party for P0.9 million. The recognized gain on this disposal amounting to P0.01 million is presented as part of Other income under Other Income (Charges) in the 2022 statement of profit or loss (see Note 9). There was no outstanding balance arising from this transaction as of December 31, 2022.

Further, in 2021, the Company purchased certain machinery and equipment amounting to P20.1 million, which was directly paid to the supplier by a related party in favor of the Company. The same machinery and equipment were subsequently disposed of and sold directly to the same related party for P20.7 million (see Note 9), recognizing a gain on disposal of machinery and equipment amounting to P0.6 million, which was presented as part of Other income under Other Income (Charges) in the 2021 statement of profit or loss. The outstanding advances amounting to P20.1 million were applied against the Company's receivable from the sale of such asset. The outstanding balance of receivable arising from this transaction, which is generally noninterest-bearing, unsecured and settled in cash or through offsetting, is presented as part of Other receivables under Trade and Other Receivables in the 2021 statement of financial position (see Note 6). The related receivable was collected in 2022.

Also, in 2021, the Company directly wrote-off the outstanding balance of payable to a stockholder as of December 31, 2020 as such is no longer to be paid. The amount directly written-off representing a gain on derecognition of a financial liability is presented as part of Other income under Other Income (Charges) in the 2021 statement of profit or loss.

17.4 Lease of Properties

The Company entered into lease contracts with a related party under common ownership covering its office spaces and warehouse with lease terms ranging from two to five years. In 2022, two lease contracts were renewed resulting in the additional right-of-use assets and lease liabilities recognized amounting to both P2.2 million.

In 2020, two lease contracts were pre-terminated resulting in derecognition of right-of-use assets and lease liabilities with carrying values of P1.5 million and P1.7 million, respectively, and recognition of a gain on pre-termination of leases amounting to P0.2 million (see Note 12.1). The Company incurred depreciation expense amounting to P1.3 million, P1.2 million and P1.3 million in 2022, 2021 and 2020, respectively. The Company also incurred interest expense amounting to P0.2 million, P0.1 million and P0.2 million in 2022, 2021 and 2020, respectively. The depreciation expense and interest expense incurred were recognized in the statements of profit or loss (see Note 14).

The related deposit as of December 31, 2022 and 2021, which is refundable at the termination of the lease term, is presented as part of Security deposits under Other Non-current Assets in the statements of financial position (see Note 10).

Further, the Company incurred rental expense for short-term vehicle leases with a related party under common ownership amounting to P0.5 million, P0.8 million and P0.4 million, in 2022, 2021 and 2020, respectively, and is shown as part of Rentals under Other Operating Expenses in the statements of profit or loss (see Note 14).

17.5 Key Management Personnel Compensation

The total compensation of key management personnel, which include all managers and executives, is shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits	P 76,722,226	P 48,299,902	P 42,258,618
Post-employment defined benefits expense (income)	<u>2,388,166</u> (<u>1,096,156</u>)	<u>3,440,133</u>	<u>3,440,133</u>
	<u>P 79,110,392</u>	<u>P 47,203,746</u>	<u>P 45,698,751</u>

There was no outstanding balance arising from key management personnel compensation as of December 31, 2022 and 2021.

17.6 Others

The Company entered into a consulting service agreement with a stockholder relating to employee trainings amounting to P1.4 million and P0.9 million in 2021 and 2020, respectively, which are shown as part of Professional fees under Other Operating Expenses in the 2021 and 2020 statements of profit or loss (see Note 14). There was no similar transaction in 2022.

The Company's retirement fund for its post-employment benefit plan is administered and managed by a trustee bank. The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens. The fair value of the plan assets and the composition of the plan assets as of December 31, 2022 and 2021 are shown in Note 15.2.

18. EQUITY

18.1 Capital Stock

The Company's authorized capital stock is 1,300,000,000 shares at P1.00 par value per share. The issued and outstanding capital stock as of December 31, 2022 and 2021 consisted of 630,800,000 shares equivalent to P630.8 million.

On September 5, 2014, the BOD and the stockholders approved the Company's application for the registration of 630.8 million of its common shares with the SEC and apply for the listing thereof in the PSE. The BOD's approval covered the planned initial public offering of 158.0 million unissued common shares of the Company at an offer price of P1.41 per share. The Company's shares were listed in the PSE on April 27, 2015 (see Note 1.1).

As of December 31, 2022, the Company's number of shares registered totaled 630,800,000 with par value of P1.00 per share and closed at a price of P1.55. The total number of stockholders is 66 and 59 as of December 31, 2022 and 2021, respectively. The public float lodged with Philippine Central Depository Nominee Corporation is counted only as one stockholder.

18.2 Additional Paid-in Capital

Additional paid-in capital consists of P52.3 million from the initial public offering in 2015, net of P12.5 million stock issuance costs incurred such as underwriting fees and commissions, taxes and filing fees (see Note 1.1).

18.3 Retained Earnings

The information of cash dividends, which are all regular dividends, are summarized below.

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Date of Payment</u>	<u>Amount</u>	<u>Dividends per share</u>
March 9, 2022	June 28, 2022	July 19, 2022	P 30,531,950	P 0.05
March 9, 2022	March 25, 2022	April 19, 2022	P 30,531,950	P 0.05
May 7, 2021	May 25, 2021	June 15, 2021	P 13,739,378	P 0.0225
March 29, 2020	June 26, 2020	July 22, 2020	P 24,443,639	P 0.04

As at December 31, 2022, the Company's unappropriated retained earnings exceeded its paid-in capital due to the net profit realized in 2022. Subsequent to the reporting period, on March 9, 2023, the Company's BOD approved the appropriation of P150.0 million and P70.0 million from the unrestricted retained earnings as of December 31, 2022, to fund the acquisition of real property and machinery, respectively, within the next two years (see Note 25).

18.4 Share Buyback Program

On December 5, 2018, the Company's BOD approved the adoption of a Share Buyback Program (SBP) whereby the Company is authorized to reacquire its capital stock from the public for an aggregate acquisition price of P100.0 million. As of December 31, 2022 and 2021, the cumulative number of shares repurchased consists of 20,161,000 treasury shares aggregating to an acquisition cost of P41.1 million. The SBP has already concluded on December 5, 2020.

18.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity under Revaluation Reserves account, are shown below.

	Revaluation Increment on Land (see Note 9)	Actuarial Gain or Loss on Post-employment Benefit Plan (see Note 15.2)	Total
Balance as of January 1, 2022	P 227,631,489	P 3,510,858	P 231,142,347
Remeasurements of post-employment defined benefit plan	-	4,854,007	4,854,007
Tax expense	-	(1,213,502)	(1,213,502)
Balance as of December 31, 2022	<u>P 227,631,489</u>	<u>P 7,151,363</u>	<u>P 234,782,852</u>
Balance as of January 1, 2021	P 129,084,027	P 2,405,294	P 131,489,321
Revaluation increment on land	119,102,900	-	119,102,900
Remeasurements of post-employment defined benefit plan	-	1,245,010	1,245,010
Tax expense (including effect of change in income tax rate)	(20,555,438)	(139,446)	(20,694,884)
Balance as of December 31, 2021	<u>P 227,631,489</u>	<u>P 3,510,858</u>	<u>P 231,142,347</u>
Balance as of January 1, 2020	P 129,084,027	(P 4,026,483)	P 125,057,544
Remeasurements of post-employment defined benefit plan	-	9,188,253	9,188,253
Tax expense	-	(2,756,476)	(2,756,476)
Balance as of December 31, 2020	<u>P 129,084,027</u>	<u>P 2,405,294</u>	<u>P 131,489,321</u>

19. EARNINGS PER SHARE

Basic and diluted EPS is computed as follows:

	2022	2021	2020
Net profit	P 228,900,310	P 224,306,159	P 121,249,089
Divided by weighted average number of outstanding common shares (considering the effect of treasury shares)	<u>610,639,000</u>	<u>610,639,000</u>	<u>611,075,083</u>
Basic and diluted EPS	<u>P 0.37</u>	<u>P 0.37</u>	<u>P 0.20</u>

The Company does not have dilutive potential common shares outstanding as of December 31, 2022, 2021 and 2020; hence, diluted EPS is equal to the basic EPS.

20. COMMITMENTS AND CONTINGENCIES

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

20.1 Unused Credit Lines

The Company has P420.0 million of unused credit lines of the approved Omnibus Line of Credit from local banks granted as of December 31, 2022 and 2021.

20.2 Capital Commitments

As of December 31, 2022 and 2021, the Company has commitments amounting to P2.3 million and P4.6 million, respectively, for the acquisition of certain transportation equipment and motor vehicles, which are mortgaged to the banks (see Notes 9 and 11.2).

20.3 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. As of December 31, 2022 and 2021, management and its legal counsel are of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 22. The main types of risks are market risk, credit risk and liquidity risk.

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

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

21.1 Market Risk

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

(a) Foreign Currency Risk

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

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

Foreign currency-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P43.7 million and P87.4 million as of December 31, 2022 and 2021, respectively.

The sensitivity of the Company's profit before tax is based on the Company's financial assets denominated in U.S. dollars and the U.S. dollar – Philippine peso exchange rate. It assumes a +/- 15.77% and +/- 11.30% change of the Philippine peso/ U.S. dollar exchange rate for the years ended December 31, 2022 and 2021, respectively.

These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of each reporting period.

If the Philippine peso had strengthened against the U.S. dollar by 15.77% and 11.30% at December 31, 2022 and 2021, profit before tax for the years ended December 31, 2022 and 2021 would have decreased by P6.9 million and P9.9 million, respectively. Conversely, if the Philippine peso had weakened against the U.S. dollar by the same percentages at December 31, 2022 and 2021, profit before tax for the years ended December 31, 2022 and 2021 would have increased by the same amounts.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

Unrealized foreign currency exchange gains - net amounts to P1.4 million in 2022, P3.9 million in 2021, and P2.9 million in 2020. These are presented as part of Foreign currency gains - net in the statements of profit or loss.

(b) Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. At December 31, 2022 and 2021, the Company is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 5). All other financial assets and liabilities have fixed rates.

The table below illustrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates of +/- 1.40% and +/- 1.50% in 2022 and 2021, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	<u>Increase</u>		<u>Decrease</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>1.40%</u>	<u>1.50%</u>	<u>1.40%</u>	<u>1.50%</u>
Effect in profit before tax	P 3,627,848	P 1,633,013	(P 3,627,848)	(P 1,633,013)
Effect in equity	2,720,886	1,224,760	(2,720,886)	(1,224,760)

21.2 Credit Risk

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	5	P 255,027,375	P 108,633,691
Trade receivables - net	6	280,732,283	318,695,624
Security deposits	10	3,472,104	3,317,864
Other current assets*	8	<u>4,104,651</u>	<u>-</u>
		<u>P 543,336,413</u>	<u>P 430,647,179</u>

**Pertains to short-term placement presented under Prepayments and Other Current Assets account*

None of the financial assets are secured by collateral or other credit enhancements except for cash and cash equivalents, other short-term placement and certain trade receivables with entrusted and on hand post-dated checks issued by the customers (see Note 6).

(a) Cash and Cash Equivalents and Other Short-term Placement

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

(b) Trade and Other Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

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

The expected loss rates are based on the payment and aging profiles over a period of 36 months before December 31, 2022 and 2021, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the inflation rate in 2022 and the government spending 2021 were the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 90 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

The loss allowance for trade receivables as at December 31, 2022 and 2021 both amounted to P16.3 million, which was determined based on months past due of more than three months but not more than four months, and more than four months aging buckets with expected loss rate of 100.00% during the reporting periods.

(c) *Security Deposits*

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

21.3 Liquidity Risk

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

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities (see Note 21.2). As at December 31, the Company's financial liabilities (except lease liabilities – see Note 12.2) have contractual maturities which are presented below.

2022					
Current			Non-current		
Within Six Months		Six to 12 Months		One to Five Years	
Trade and other payables (except Advances from customers and tax-related payables)	P 163,121,339	P -	P -		
Mortgage payables	<u>1,224,318</u>	<u>870,712</u>		<u>342,944</u>	
	<u>P 164,345,657</u>	<u>P 870,712</u>		<u>P 342,944</u>	
2021					
Current			Non-current		
Within Six Months		Six to 12 Months		One to Five Years	
Trade and other payables (except Advances from customers and tax-related payables)	P 274,695,982	P -	P -		
Mortgage payables	<u>1,283,542</u>	<u>1,253,930</u>		<u>2,437,974</u>	
	<u>P 275,979,524</u>	<u>P 1,253,930</u>		<u>P 2,437,974</u>	

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

22. CATEGORIES AND OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

22.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position at amortized cost are shown below.

		2022		2021	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 255,027,375	P 255,027,375	P 108,633,691	P 108,633,691
Short-term placement	8	4,104,651	4,104,651	-	-
Trade and other receivables - net	6	280,732,283	280,732,283	318,695,624	318,695,624
Security deposits	10	<u>3,472,104</u>	<u>3,472,104</u>	<u>3,317,864</u>	<u>3,317,864</u>
		<u>P 543,336,413</u>	<u>P 543,336,413</u>	<u>P 430,647,179</u>	<u>P 430,647,179</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Trade and other payables (except Advances from customers and tax-related payables)	11.1	P 163,121,339	P 163,121,339	P 274,695,982	P 274,695,982
Lease liabilities	12.2	17,421,094	17,421,094	19,237,768	19,237,768
Mortgage payables	11.2	<u>2,318,305</u>	<u>2,318,305</u>	<u>4,562,948</u>	<u>4,562,948</u>
		<u>P 182,860,738</u>	<u>P 182,860,738</u>	<u>P 298,496,698</u>	<u>P 298,496,698</u>

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

See Note 2.5 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 21.

22.2 Offsetting Financial Assets and Financial Liabilities

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Company and counterparties (i.e., related parties) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis (see Note 17). In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

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

23. FAIR VALUE MEASUREMENTS AND DISCLOSURES

23.1 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

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

23.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (see Note 22.1).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	P255,027,375	P -	P -	P 255,027,375
Short-term placement	4,104,651	-	-	4,104,651
Trade receivables - net	-	-	280,732,283	280,732,283
Security deposits	-	-	3,472,104	3,472,104
	<u>P259,132,026</u>	<u>P -</u>	<u>P284,204,387</u>	<u>P 543,336,413</u>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 163,121,339	P 163,121,339
Lease liabilities	-	-	17,421,094	17,421,094
Mortgage payables	-	-	2,318,305	2,318,305
	<u>P -</u>	<u>P -</u>	<u>P 182,860,738</u>	<u>P182,860,738</u>
<u>December 31, 2021</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	P108,633,691	P -	P -	P 108,633,691
Trade receivables - net	-	-	318,695,624	318,695,624
Security deposits	-	-	3,317,864	3,317,864
	<u>P108,633,691</u>	<u>P -</u>	<u>P322,013,488</u>	<u>P 430,647,179</u>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 274,695,982	P 274,695,982
Lease liabilities	-	-	19,237,768	19,237,768
Mortgage payables	-	-	4,562,948	4,562,948
	<u>P -</u>	<u>P -</u>	<u>P 298,496,698</u>	<u>P298,496,698</u>

23.3 Fair Value Measurement for Non-financial Assets

The fair value of the Company's land amounting to P447.9 million and P446.6 million as of December 31, 2022 and 2021, respectively, is classified under Level 3 in the fair value hierarchy (see Note 9). The Level 3 fair value of land was derived using market comparable approach that reflects recent transaction prices for similar properties in nearby locations, adjusted for key attributes such as property size, age, condition and accessibility of the land. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

There has been no change to the valuation techniques used by the Company during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total liabilities	P 315,568,274	P 412,728,414	P 358,043,348
Total equity	<u>1,760,357,646</u>	<u>1,588,880,731</u>	<u>1,278,660,924</u>
Debt-to-equity ratio	<u>0.18 : 1.00</u>	<u>0.26 : 1.00</u>	<u>0.28 : 1.00</u>

There were no internally and externally imposed capital requirements to be complied with as of December 31, 2022 and 2021.

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

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

On March 9, 2023, the Company's BOD approved the declaration of cash dividends from the unrestricted retained earnings as of December 31, 2022 amounting to P0.05 per share and P0.04 per share, which are to be paid on May 3, 2023 and September 25, 2023, respectively.

On the same date, the Company's BOD also approved the appropriation of P150.0 million and P70.0 million from the unrestricted retained earnings as of December 31, 2022, to fund the acquisition of real property and machinery, respectively, within the next two years (see Note 18.3).

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented in the succeeding pages is the supplementary information which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No.15-2010 are presented below and in the succeeding pages.

(a) *Output VAT*

In 2022, the Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of goods:		
Taxable sales	P1,460,795,565	P 175,295,468
Zero-rated sales	<u>300,870,805</u>	<u>-</u>
	<u>P1,761,666,370</u>	<u>P 175,295,468</u>

The Company's zero-rated receipts from sale of goods were determined pursuant to Section 106 (A), *VAT on Sale of Goods or Properties*, of the National Internal Revenue Code of 1997, as amended.

The tax bases are included as part of Revenues and Other Income (Charges) in the 2022 statement of profit or loss.

(b) *Input VAT*

The movements in input VAT in 2022 are presented below.

Balance at beginning of year	P 136,029,155
Goods other than capital goods	82,683,226
VAT on importation of goods	39,867,979
Services lodged under other accounts	24,686,549
Capital goods not subject to amortization	170,957
Change in deferred input VAT	220,879
Applied against output VAT	(<u>175,295,468</u>)
Balance at end of year	<u>P 108,363,277</u>

The outstanding balance of input VAT is presented under Prepayments and Other Current Assets in the 2022 statement of financial position.

Deferred input VAT amounting to P 4,498,320 pertains to the unamortized input VAT on previous years' purchases of capital goods exceeding P1.0 million. Prior to January 1, 2022, deferred input VAT is amortized and credited against output tax evenly over 60 months or the life of the asset, whichever is shorter. The outstanding balance is presented as part of Other Non-current Assets in the 2022 statement of financial position.

(c) *Taxes on Importation*

In 2022, the total landed cost of the Company's importations for use in business amounted to P332,246,747. This also includes customs duties and tariff fees totalling to P3,365,839 which are capitalized as part of the cost of the raw materials inventory and machineries, factory and other equipment.

(d) *Excise Tax*

The Company paid P406,060 for excise taxes during the year for the importation of lubricants.

(e) *Documentary Stamp Tax*

Documentary stamp taxes (DST) paid and accrued in 2022 is presented below.

Bank transactions	P 1,875,237
Others	<u>177,862</u>
	<u>P 2,053,099</u>

(f) *Taxes and Licenses*

The composition of Taxes and licenses in 2022 is shown below.

Registration and license fees	P 6,522,669
Real property tax	2,814,675
DST	2,053,099
Residence tax	28,689
Miscellaneous	<u>559,065</u>
	<u>P 11,978,197</u>

The amount of Taxes and licenses is presented as part of Other Operating Expenses in the 2022 statement of profit or loss.

(g) *Withholding Taxes*

The details of total withholding taxes in 2022 are shown below.

Compensation and benefits	P 19,264,345
Expanded	11,625,496
Final tax on dividends	<u>5,795,096</u>
	<u>P 36,684,937</u>

(b) *Deficiency Tax Assessments*

In 2022, the Company received final deficiency tax assessments for the taxable year 2021, which remains unpaid as of December 31, 2022. The related payable amounting to P1.1 million, which is presented as part of Others under Trade and Other Payables account in the 2022 statement of financial position, has been fully paid in January 2023. The related expense is presented as part of Miscellaneous under Other Operating Expenses in the 2022 statement of profit or loss.

As of December 31, 2022, the Company does not have any other final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

Punongbayan & Araullo

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The Board of Directors and the Stockholders
Crown Asia Chemicals Corporation
Km. 33, McArthur Highway
Bo. Tuktukan, Guiguinto
Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Crown Asia Chemicals Corporation (the Company) for the year ended December 31, 2022, on which we have rendered our report dated March 9, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 9, 2023

CROWN ASIA CHEMICALS CORPORATION
List of Supplementary Information
December 31, 2022

Schedule	Content	Page No.
Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Long-term Debt	2
E	Indebtedness to Related Parties	3
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	4
Other Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	5
	Map Showing the Relationship Between the Company and its Related Entities	N/A

CROWN ASIA CHEMICALS CORPORATION
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022
(Amounts in Philippine Pesos)

Name	Balance at Beginning of Period	Additions	Deductions			Ending Balance		Balance at End of Period
			Sales returns	Amounts Collected	Written Off	Current	Non-current	
Asean Timber Corp.	P 5,966,846	P -	P 4,266,663	P 1,700,183	P -	P -	P -	P -
Husky Plastics Corp.	3,136,107	445,255	-	3,450,961	-	130,401	-	130,401
Guiguinto Integrated Woods Industry Corp.	9,518	54,220	-	43,946	-	19,792	-	19,792
W.T. Derrick Realty Corporation	-	413	-	413	-	-	-	-
<i>Total Accounts Receivable</i>	P 9,112,471	P 499,888	P 4,266,663	P 5,195,503	P -	P 150,193	P -	P 150,193
W.T. Derrick Realty Corporation	P 278,432	P 20,679	P -	P -	P -	P 299,111	P -	P 299,111
<i>Total Security Deposit</i>	P 278,432	P 20,679	P -	P -	P -	P 299,111	P -	P 299,111

CROWN ASIA CHEMICALS CORPORATION

Schedule D

Long-Term Debt

December 31, 2022

(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Mortgage Payables" in Related Statement of Financial Position
Car loans	P 2,318,305	P 2,318,305

Supplementary information on Long-term Debt

The Company entered into car loan agreements with local banks for the acquisition of certain transportation equipment and motor vehicles, which are then mortgaged to the banks.

CROWN ASIA CHEMICALS CORPORATION

Schedule E

Indebtedness to Related Parties

December 31, 2022

(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
<i>Related parties under common ownership:</i>		
Husky Plastics Corp.	P 1,873,088	P 10,340
Asean Timber Corp.	-	93,823
	<u>P 1,873,088</u>	<u>P 104,163</u>

CROWN ASIA CHEMICALS CORPORATION

Schedule G
Capital Stock
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	1,300,000,000	610,639,000	-	4,780,000	299,419,245	306,439,755

CROWN ASIA CHEMICALS CORPORATION
KM. 33, MCARTHUR HIGHWAY
BO. TUKTUKAN, GUIGUINTO BULACAN
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022

Unappropriated Retained Earnings of the Company at Beginning of Year	P	715,725,191	
Prior Periods' Reconciling Item from Deferred Tax Asset	(	<u>5,535,895</u>)	
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year			710,189,296
Net Profit of the Company Realized during the Year			
Net profit per audited financial statements	P	228,900,310	
Non-actual/unrealized income			
Deferred tax income from deferred tax asset recognized during the year	(	<u>64,868</u>)	228,835,442
Less other items:			
Cash dividends declared and paid during the year	(	61,063,900)	
Treasury shares	(	<u>41,096,031</u>)	
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year			<u>P 836,864,807</u>

Supplemental Information on Retained Earnings –

As at December 31, 2022, the Company's unappropriated retained earnings exceeded its paid-in capital due to the net profit realized in 2022. Subsequent to the reporting period, on March 9, 2023, the Company's Board of Directors approved the appropriation of P150.0 million and P70.0 million from the unrestricted retained earnings as of December 31, 2022, to fund the acquisition of real property and machinery, respectively, within the next two years.

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo

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6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and the Stockholders Crown Asia Chemicals Corporation

Km. 33, McArthur Highway
Bo. Tuktukan, Guiguinto
Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Crown Asia Chemicals Corporation (the Company) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated March 9, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as of December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 9, 2023

CROWN ASIA CHEMICALS CORPORATION
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 1,371,719,276 Divide by: Total Current Liabilities 230,040,497 Current ratio 5.96	5.96	Total Current Assets divided by Total Current Liabilities Total Current Assets P 1,286,518,644 Divide by: Total Current Liabilities 322,695,325 Current ratio 3.99	3.99
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P 1,371,719,276 Less: Inventories (705,687,384) Other Current Assets* (112,477,785) Quick Assets 553,554,107 Divide by: Total Current Liabilities 230,040,497 Acid test ratio 2.41	2.41	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P 1,286,518,644 Less: Inventories (700,898,060) Other Current Assets (137,924,436) Quick Assets 447,696,148 Divide by: Total Current Liabilities 322,695,325 Acid test ratio 1.39	1.39
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 315,568,274 Divide by: Total Assets 2,075,925,920 Solvency ratio 0.15	0.15	Total Liabilities divided by Total Assets Total Liabilities P 412,728,414 Divide by: Total Assets 2,001,609,145 Solvency ratio 0.21	0.21
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities P 315,568,274 Divide by: Total Equity 1,760,357,646 Debt-to-equity ratio 0.18	0.18	Total Liabilities divided by Total Equity Total Liabilities P 412,728,414 Divide by: Total Equity 1,588,880,731 Debt-to-equity ratio 0.26	0.26
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 2,075,925,920 Divide by: Total Equity 1,760,357,646 Assets-to-equity ratio 1.18	1.18	Total Assets divided by Total Equity Total Assets P 2,001,609,145 Divide by: Total Equity 1,588,880,731 Assets-to-equity ratio 1.26	1.26
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 308,229,379 Divide by: Interest expense 1,912,959 Interest rate coverage ratio 161.13	161.13	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 297,601,242 Divide by: Interest expense 2,016,237 Interest rate coverage ratio 147.60	147.60
Return on equity	Net Profit divided by Total Equity Net Profit P 228,900,310 Divide by: Total Equity 1,760,357,646 Return on equity 0.13	0.13	Net Profit divided by Total Equity Net Profit P 224,306,159 Divide by: Total Equity 1,588,880,731 Return on equity 0.14	0.14
Return on assets	Net Profit divided by Total Assets Net Profit P 228,900,310 Divide by: Total Assets 2,075,925,920 Return on assets 0.11	0.11	Net Profit divided by Total Assets Net Profit P 224,306,159 Divide by: Total Assets 2,001,609,145 Return on assets 0.11	0.11
Net profit margin	Net Profit divided by Total Revenue Net Profit P 228,900,310 Divide by: Total Revenue 1,760,815,265 Net profit margin 0.13	0.13	Net Profit divided by Total Revenue Net Profit P 224,306,159 Divide by: Total Revenue 1,740,847,346 Net profit margin 0.13	0.13

*Excluding short-term placement

Ratio	Formula	2022	Formula	2021
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit P 542,031,742 Divide by: Total Revenue 1,760,815,265 Gross profit margin 0.31	0.31	Gross Profit divided by Total Revenue Gross Profit P 478,570,123 Divide by: Total Revenue 1,740,847,346 Gross profit margin 0.27	0.27
Book value per share	Total Equity divided by Outstanding Shares Total Equity P 1,760,357,646 Divide by: Outstanding Shares 610,639,000 Book value per share 2.88	2.88	Total Equity divided by Outstanding Shares Total Equity P 1,588,880,731 Divide by: Outstanding Shares 610,639,000 Book value per share 2.60	2.60
Earnings per share	Net Profit divided by Average Outstanding Shares Net Profit P 228,900,310 Divide by: Average Outstanding Shares 610,639,000 Earnings per share 0.37	0.37	Net Profit divided by Average Outstanding Shares Net Profit P 224,306,159 Divide by: Average Outstanding Shares 610,639,000 Earnings per share 0.37	0.37
Price to book value per ratio	Stock Price divided by Book Value per Share Stock Price P 1.55 Divide by: Book Value per Share 2.88 Price to book value per ratio 0.54	0.54	Stock Price divided by Book Value per Share Stock Price P 1.69 Divide by: Book Value per Share 2.60 Price to book value per ratio 0.65	0.65
Price to earnings ratio	Stock Price divided by Earnings per Share Stock Price P 1.55 Divide by: Earnings per Share 0.37 Price to earnings ratio 4.19	4.19	Stock Price divided by Earnings per Share Stock Price P 1.69 Divide by: Earnings per Share 0.37 Price to earnings ratio 4.57	4.57

MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING OF
CROWN ASIA CHEMICALS INCORPORATION

Held on 12 May 2022 at 3:00 P.M.
via Zoom Webinar
(in accordance with SEC regulations on Meetings by Remote Communication)

TOTAL NUMBER OF SHARES OUTSTANDING	610,639,000
TOTAL NUMBER OF SHARES PRESENT/REPRESENTED AND ENTITLED TO VOTE	496,449,029 (81.30%)

Before the start of the meeting, the following members of the Board of Directors present were introduced:

WALTER H. VILLANUEVA
EUGENE H. LEE VILLANUEVA
TITA P. VILLANUEVA
NICASIO T. PEREZ
DERRICK P. VILLANUEVA
HANS JOSEPH T. PEREZ
BEDE LOVELL S. GOMEZ
MARIE THERESE G. SANTOS
ERNESTO R. ALBERTO

The following officers of the Corporation were likewise in attendance at the shareholders’ meeting:

JASON C. NALUPTA (Corporate Secretary)
ANN MARGARET K. LORENZO P (Assistant Corporate Secretary)
MARIE GRACE N. DALUPAN (Assistant Vice President - Finance/
Chief Compliance Officer)

Other executive officers of the Corporation, as well as some members of the Audit Team of Punongbayan & Araullo, the Corporation’s External Auditor, were likewise in attendance.

CALL TO ORDER

The Chairman, Mr. Walter H. Villanueva, called the meeting to order and presided over the same. The Chairman explained that the Corporation was constrained to again hold the meeting in a virtual format due to restrictions that discourage mass gatherings and promote social distancing. The Chairman then thanked those who have taken time to participate in the shareholders’ meeting online and the shareholders who appointed him as their proxy for the meeting.

The Corporate Secretary, Mr. Jason C. Nalupta, recorded the minutes of the proceedings.

CERTIFICATION OF NOTICE AND QUORUM

Upon the request of the Chairman, the Corporate Secretary certified that notices of the meeting were sent to all shareholders of record as of 05 April 2022 in accordance with the provisions of the By-Laws. The Corporate Secretary then presented the Certification of Sending Notices. The Chairman instructed the Secretary to append the Certificate attesting to the mailing of notices to the original minutes of the meeting.

The Corporate Secretary next certified that, based on the register of attendees and of the proxies received as tabulated with the assistance of the stock transfer agent, out of Six Hundred Ten Million Six Hundred Thirty-Nine Thousand (610,639,000) shares of the total outstanding capital stock of the Corporation as of record date, Four Hundred Ninety-Six Million Four Hundred Forty-Nine Thousand and Twenty-Nine (496,449,029) shares, representing 81.30% of

the total outstanding capital stock of the Corporation were present in person or otherwise represented by proxy. Accordingly, the Corporate Secretary certified that a quorum existed for the transaction of business at hand.

RULES OF CONDUCT AND VOTING PROCEDURES

The Chairman then informed the Body that while the Corporation was again constrained to hold its annual stockholders’ meeting online to comply with the restrictions on public gathering due to the COVID-19 Pandemic, the Corporation has endeavored to afford shareholders every opportunity to be able to actively participate in the meeting by sending their questions on the agenda items. He then requested the Corporate Secretary to briefly explain the rules of conduct and the voting procedures.

The Corporate Secretary explained as follows:

- 1. The rules of conduct and procedures were set forth in the Information Statement and in the Notice of Annual Stockholders’ Meeting, in accordance with the rules of the SEC.
- 2. Because the Management of the Corporation welcomes all opportunities to engage with its stockholders, the Corporation has set up facilities to afford all stockholders the opportunity to be heard.
- 3. Stockholders’ questions on matters to be taken up during the meeting were sent to the email address set up for the purpose. Questions can still be sent over the course of the meeting via the Q&A function of this Zoom Webinar, which can be found at the bottom of the screen of the attendees.
- 4. As the time dedicated for the meeting is not unlimited, the questions and comments which will not be read out and responded to during the meeting will be answered via email.
- 5. Stockholders’ questions on matters to be taken up during the meeting were sent to corporatesecretary@crownpvc.com.ph.
- 6. Some of the questions or comments received would be addressed during the Question and Answer period after Other Matters.
- 7. Management will reply via e-mail to questions and comments received but not taken up during the meeting.

APPROVAL OF THE MINUTES OF THE LAST STOCKHOLDERS’ MEETING

As requested by the Chairman, the Secretary advised the Body that the minutes of the last stockholders’ meeting held on 18 June 2021 was immediately made available for the stockholders to view soon after the last meeting when it was posted on the Corporation’s website. A link to the said Minutes was likewise included in the Information Statement sent to the stockholders prior to the meeting.

The Corporate Secretary then presented the proposed resolution on the approval of the Minutes of the last stockholders’ meeting held on 18 June 2021, and based on the votes received, reported the unanimous approval by the stockholders of the following Resolution:

“RESOLVED, that the Minutes of the Annual Meeting of the Stockholders of **CROWN ASIA CHEMICALS CORPORATION** held on 18 June 2021 is hereby approved.”

The votes for the approval of the Minutes of the 2021 Annual Stockholders’ Meeting are as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Approval of the Minutes of the Last Stockholders’ Meeting	496,449,029 81.30% of total voting shares	0	0

REPORT ON 2021 OPERATIONS AND RESULTS

The next item on the agenda is the approval of the operations and results for the Year 2021, as summarized in the President’s Report presented by the Chairman & President, as follows:

“I am pleased to report positive developments in the company’s financial performance for the year ending December 31, 2021.
Our current assets for 2021 increased by 19.16%.
Then our current liabilities increased by 11.85% while non-current liabilities registered an 18.27% improvement.
The company’s total equity posted a 19.52% growth and our total liabilities and equity increased by 18.23%.
Crown generated total revenue of 1.74 Billion Pesos for 2021 indicating an increase of 55.75% versus 2020. Our gross profit went up to 38.50% or 478.57 Million Pesos.
Our operating expense went up by 10.73%, much lower than our revenue growth. As a result, operating income went up by 65.91% resulting in 288.47 Million Pesos, and Net profit after tax of 224.31 Million Pesos which increased by 85% versus 2020.
Earnings per share ending December 31 2021 was Php0.37.
The rest of our financial highlights report will be posted and may be viewed at our company website - www.crownpvc.com.ph.”

The Chairman then explained that questions raised on the President’s Report, including the financial reports and results for 2021, if any, will be read and answered in the latter part of the meeting.

Upon request of the Chairman, the Corporate Secretary presented the proposed resolution on the approval of the Corporation’s Annual Report on Operations, together with the Audited Financial Statements, for 2021, and based on the votes received, reported the unanimous approval by the stockholders of the following Resolution:

“RESOLVED, that the 2021 Annual Report on the operations of **CROWN ASIA CHEMICALS CORPORATION** together with the Audited Financial Statements and accompanying notes thereto for the year ended 31 December 2021, be approved.”

The votes for the approval of the Annual Report for the year ended 31 December 2021, together with the Audited Financial Statements for the Fiscal Year ended 31 December 2021, are as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Approval of 2021 Operations and Results	496,449,029 81.30% of total voting shares	0	0

RATIFICATION OF CORPORATE ACTS

The next item in the agenda was the ratification of corporate acts of the Board of Directors and Management from the date of the last stockholders’ meeting up to the present.

The Corporate Secretary explained that these acts and resolutions are mostly reflected in the Minutes of last year’s meeting and includes the corporate acts, as follows:

1. Membership in different committees of the Board of Directors;
2. Designation of authorized signatories for day-to-day transactions;
3. Designation of authorized representatives for transactions with various companies and entities;
4. Approval of 2021 Audited Financial Statements;
5. Declaration of cash dividend;

- 6. Opening of accounts and credit facilities with various banks;
- 7. Designation of officers;
- 8. Review of policies; and
- 9. Purchase or sale of motor vehicles.

At the request of the Chairman, the Corporate Secretary advised the Body that the acts of the Board of Directors and Officers of the Corporation being presented for ratification by the shareholders are those entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures. Ratification is also sought for all acts of Management performed in accordance with the resolutions of the Board and the By-Laws from 18 June 2021 to present.

The Corporate Secretary then presented the proposed resolution on the ratification of all the acts of the Board, the different Board Committees, and of the officers of the Corporation from the last stockholders’ meeting on 18 June 2021 up to the present, and based on the votes received, reported the approval by the stockholders of the following Resolution:

“RESOLVED, that all acts of the Board of Directors and Officers of **CROWN ASIA CHEMICALS CORPORATION** from the date of the last stockholders’ meeting on 18 June 2021 up to the date of this meeting, are hereby confirmed, ratified and approved.”

The votes for the ratification of all the acts and resolutions of the Board of Directors, the different Board Committees, and Officers of the Corporation are as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Ratification of all acts of the Board of Directors and Officers from the date of the last meeting up to the date of the present meeting.	496,449,029 81.30% of total voting shares	0	0

ELECTION OF DIRECTORS

The Chairman announced that the next item in the agenda is the election of the members of the Board of Directors for the ensuing year. He then requested the Chairman of the Corporate Governance Committee, Mr. Ernesto R. Alberto, to present the nominees.

Mr. Alberto noted that the profiles of those nominated for election as members of the Board were included in the Company’s Information Statement as well as in the Annual Report. The information included their age, nationality, qualifications, dates of first appointment, other directorships in publicly-listed companies, and other affiliations. Mr. Alberto then announced the names of those nominated for election as members of the Board all of whom have been found to possess all the qualifications and none of the disqualifications for election as directors of a listed company.

The Chairman then requested the Corporate Secretary to present the results of the election. The Corporate Secretary presented the votes received by each of the nominees which, he noted, were sufficient to elect them as Director. He then presented the proposed resolution on the election of the nominees to the Board, and based on the votes received, reported the approval of the following Resolution:

“RESOLVED, to elect the following nominees, receiving the votes indicated opposite their names, as directors of **CROWN ASIA CHEMICALS CORPORATION** for the year 2022-2023, to serve as such until their successors shall have been duly elected and qualified:

	NO. OF VOTES RECEIVED	NO. OF NEGATIVE VOTES/ABSTENTIONS
Walter H. Villanueva	496,449,029	Nil

Eugene H. Lee Villanueva	496,449,029	Nil
Tita P. Villanueva	496,449,029	Nil
Nicasio T. Perez	496,449,029	Nil
Derrick P. Villanueva	496,449,029	Nil
Hans Joseph T. Perez	496,449,029	Nil
Bede Lovell S. Gomez	496,449,029	Nil
Marie Therese G. Santos	496,449,029	Nil
Ernesto R. Alberto	496,449,029	Nil

Mr. Gomez, Ms. Santos and Mr. Alberto were elected to serve as the Corporation’s Independent Directors.

APPOINTMENT OF EXTERNAL AUDITOR

The Body next considered the appointment of the Corporation’s external auditor for the Year 2022. The Chairman of the Audit Committee, Ms. Marie Therese G. Santos, was requested to explain the item.

Ms. Santos announced that the Audit Committee has recommended, and the Board of Directors has endorsed for the consideration of the stockholders, the re-appointment of Punongbayan & Araullo as the Corporation’s external auditor for Year 2022.

The Corporate Secretary, upon the request of the Chairman, presented the proposed resolution on the appointment of Punongbayan & Araullo as the Corporation’s external auditors, and based on the votes received, reported the approval by the stockholders of the following Resolution:

“RESOLVED, that **CROWN ASIA CHEMICALS CORPORATION** (the ‘Corporation’) hereby approves the re-appointment of Punongbayan & Araullo as the Corporation’s external auditor for Year 2022.”

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Appointment of Punongbayan & Araullo as External Auditor for 2022	496,449,029 81.30% of total voting shares	0	0

OTHER MATTERS

After confirming with the Corporate Secretary that there are no other remaining matters on the agenda, the Chairman opened the floor for some of the questions received from the shareholders to be addressed.

The first question asked was the following: “The company has survived well the first 2 years of the pandemic. Given the continued pandemic this year, how does management ensure that company operations will not be adversely affected?” The Chairman answered that businesses in the country and worldwide, went through very uncertain times particularly in 2020, the first year of the pandemic. Fortunately for the Corporation, it was able to resume full operations after the initial lockdown and continued servicing essential requirements, infrastructures and other priority construction projects as well to its dealers. Operations were normal as usual with sufficient raw materials and uninterrupted production. The Corporation maintained the health protocol requirements, shuttle service for employees and continuous delivery for infrastructure projects and other client requirements.

The next question was: “We learned that Crown Pipes has been heavily used for infrastructure projects, how do you intend to keep this going? That Crown Pipes will still be the pipes of choice for infrastructure projects this year and in the coming years? The Chairman answered that he was happy to inform that with the Corporation’s continued partnerships for infrastructure developments that is beneficial to the general public and the economy, the premium quality of Crown Pipes is validated, building an increased preference for the brand. The

Corporation is ready to meet the buildup of production requirements to ensure adequate supply for more infrastructure, priority projects and goods for its trade partners. With the Corporation's commitment to product quality and precision, management expects to continue supplying projects beyond 2022, having earned the trust and confidence of project proponents, project developers and trade partners.

The third question was: "The company started operations with Crown Compounds. How will you sustain its performance-standing in the face of many competition in the PVC Compounds market?" The Chairman answered that the Corporation has been a major player in the PVC Compounds industry. The Corporation continues to serve and cater to the diversified applications of its clients, and pursue acquiring more new customers. Given its long years in manufacturing premium compound products, the Corporation will embark on tapping direct exports to possible foreign markets to broaden and expand its market. New product applications will likewise be expanded.

The fourth question was: "Many companies have been reducing employment costs by implementing alternative working schedules, adjusted working hours and for some, laying off personnel. Is Crown Asia Chemicals doing this? The Chairman answered that the Corporation is fortunate to have quickly resumed full operations and sustained them since then. Management's major concern is the physical and financial well-being of the Corporation's employees and their families. Because of preparation and readiness, the Corporation didn't have to resort into direction of laying-off or scheduling work alternatives. In fact, the Corporation was continuously hiring personnel for different departments to augment expansion needs.

The last question involved two parts. The first was whether the increase in revenues was due to volume increase. The Chairman answered in the affirmative. Sales volume increased during 2021 which the Corporation can attribute to heightened brand awareness for CROWN quality, coverage of more areas nationwide thru hiring of more sales agents and quick turnaround time from sales to deliveries. Generally, there was no price adjustment thru 2021 in spite of higher product costs. However, there was only a slight adjustment to selling prices at the latter part of the year as a result of higher raw material and production costs.

The second part and final question was whether there were new products introduced in the market. The Chairman answered that in 2020, the Corporation launched a new line of bathroom equipment such as water closet, lavatories and related peripherals. As of the moment of the meeting, they were being distributed to housing and subdivision projects. Hopefully within the next twelve (12) months, the Corporation can resume to launch a new pipe product which was disrupted when the pandemic started. The Corporation is fine tuning its machineries in preparation for its actual production.

ADJOURNMENT

There being no other business to transact, the meeting was thereupon adjourned.

Attested by:

WALTER H. VILLANUEVA
Chairman and President

JASON C. NALUPTA
Corporate Secretary