COVER SHEET

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S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

.

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A
D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

ANNABELLE GUZMAN	8870 0100
Contact Person	Company Telephone Number

Definitive Information Statement

1 2 / 3 1	**S E C 2 0 - I S**	**0 3 / 2 5**
Month Day Calendar Year	FORM TYPE	Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

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 purpose

PHINMA
Making Lives Better

PHINMA Corporation

Certification

I, **Annabelle S. Guzman, Vice President - Controller** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this report on **SEC Definitive Information Statement 2023** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of March, 2024.

annabelle S. Guzman
Annabelle S. Guzman
Vice President - Controller

SUBSCRIBED AND SWORN to before me this _____day of MAR 19 2024, 2024 in Makati City, affiant exhibited to me her Driver's License No. [redacted] issued on April 19, 2019 at Makati DO with expiration date of April 15, 2024.

NOTARY PUBLIC
ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VIII No. 0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR No. 10073945/ Jan. 2, 2024/ Makati City
IBP No. 330740/ Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

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Book No. 58
Series of 2024

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PHINMA Corporation

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

TO ALL SHAREHOLDERS:

Please be informed that the Annual Shareholders' Meeting of PHINMA CORPORATION will be held on Tuesday, 23 April 2024, at 10:00 a.m., at The Fifth at Rockwell, R5 Level, Power Plant Mall, Rockwell Center, Makati City, physically and and through remote communication via www.asm.phinmacorp.ph with the following agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Minutes of Previous Meeting
4. Annual Report of Management
5. Ratification of all acts of the Board of Directors, Committees and Management
6. Election of Directors
7. Renewal of Management Contract
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

For the explanation of each agenda item, please refer to Annex "**A**" of this Notice.

The record date for the determination of the shareholders entitled to attend the meeting and to vote thereat is March 25, 2024.

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PHINMA Corporation

Votes of all stockholders attending by remote communication may only be cast through ballots/proxies submitted on or before April 17, 2024. A sample of the Ballot/ Proxy will be included in the Information Statement.

All Ballots/Proxies should be received by the Corporate Secretary on or before April 17, 2024 physically or by email to phncorpsec@phinma.com.ph.

Validation of proxies is set on April 17, 2024 starting at 9:00 a.m.

TROY A. LUNA
Corporate Secretary

Annex "A"

PHINMA CORPORATION
ANNUAL SHAREHOLDERS MEETING
Tuesday, April 23, 2024, 10:00 am

Explanation of Each Item on the Agenda

1. **Call to Order**

The Chairman, Mr. Ramon R. del Rosario, Jr., will formally begin the annual meeting of the stockholders of PHINMA Corporation (the "Corporation").

2. **Proof of Notice and Determination of Quorum**

The Corporate Secretary, Atty. Troy A. Luna, will certify the date when the notice of meeting and Information Statement were sent to the stockholders of record as of March 25, 2024 and to the Securities and Exchange (SEC) and Philippine Stock Exchange (PSE), as well as the date of publication of the notice in a newspaper of general circulation.

Stockholders may participate in-person at the venue of the meeting stated in the Notice or by remote communication. Stockholders attending remotely must inform the Corporation of their attendance by email to phncorpsec@phinma.com.ph on or before April 17, 2024. Stockholders present at the venue of the meeting and attending remotely, subject to the procedure set forth in Annex "F" of the Information Statement to be posted on the Company's website, shall be considered present at the meeting.

The Corporate Secretary will likewise certify as to the existence of a quorum. Owners of shares constituting at least a majority of the issued and outstanding capital stock of the Corporation, present either in person, physically or remotely, or by proxy with the proxy attending physically or remotely, shall constitute a quorum for the transaction of business at this meeting.

The following are the rules of conduct and procedures for the meeting:

i) Votes of all stockholders may be cast at the meeting on each item of the agenda either by *viva voce* or raising of hands or, when balloting is deemed necessary, by ballots to be distributed at the meeting.

Stockholders attending remotely may cast their votes only through ballots/ proxies actually submitted on or before April 17, 2024. A sample of the Ballot/Proxy will be included in the Information Statement.

Stockholders attending physically by proxy must also submit their Ballot which should be received by the Corporate Secretary on or before April 17, 2024 physically or by email to phncorpsec@phinma.com.ph.

ii) All the items in the agenda for approval by the stockholders, except the election of directors, will need the affirmative vote of stockholders, in person or by proxy, representing at least a majority of the shares of stock present or represented at the meeting. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

iii) Election of directors will be based on the number of votes cast by each stockholder present at the meeting, as described below.

iv) The Committee of Inspectors of Proxies and Ballots will tabulate all votes cast and received by Ballot/Proxies, and an independent third party will validate the results.

v) Stockholders attending remotely may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant and of general concern to them on or before April 17, 2024. These will be answered during the meeting or via email to the stockholder sending the question, subject to appropriateness, relevance and time limits.

vi) Stockholders attending the meeting physically may raise questions on matters relevant and of general concern to them during the meeting, at the appropriate time based on the agenda of the meeting, and as determined by the Chairman.

3. Minutes of Previous Meeting

The minutes of the Annual Shareholders' Meeting held on April 11, 2023 are available at the Company website, www.phinma.com.ph and will be presented for approval to the shareholders during the meeting.

4. Annual Report of Management

Management will deliver the report on the performance of the Company for 2023 and other matters deemed relevant to the stockholders.

The Audited Financial Statements as of December 31, 2023 and management's report will be included in the Information Statement.

5. Ratification of all acts of the Board of Directors, Committees and Management

The acts of the Board of Directors, Committees and Management of the Corporation since the last Annual Meeting of Shareholders will likewise be presented to the stockholders for confirmation, ratification and approval. Details will be provided in the Information Statement.

6. Election of Directors

The Corporate Secretary will present the nominees qualified for election to the Board of Directors, including the Independent Directors. A brief description of the qualifications and business experience of the nominees for election to the Board of Directors will be included in the Information Statement.

Each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, and may cumulate his/her votes by giving as many votes as he/she wants to any candidate, provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that to which he/she is entitled to vote, the Corporate Secretary in his discretion shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances.

In the event that only fifteen (15) are nominated to fill the fifteen (15) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who wish to have their votes differently recorded.

7. <u>Renewal of Management Contract</u>

The stockholders will be requested to vote on the renewal of the management contract with the Philippine Investment-Management (PHINMA), Inc. Details will be provided in the Information Statement

8. <u>Appointment of External Auditors</u>

The stockholders will be requested to vote and ratify the selection by the Audit Committee and the Board of Directors of the external auditors for the current fiscal year. Details will be provided in the Information Statement.

9. <u>Other Matters</u>

The Chairman will open the floor for comments and questions from the stockholders. The Chairman will decide whether matters raised by any stockholder may be properly taken up in the meeting or in another forum.

10. <u>Adjournment</u>

The Chairman will adjourn the meeting when the scheduled order of business is completed.

PROXY

The undersigned, being a stockholder of **PHINMA CORPORATION** (the "Company"), hereby appoints ____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to 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 **April 23, 2024** and at any adjournment thereof for the purpose of acting or voting on the following matters:

1. Approval of the Minutes of the previous meeting. ☐ Yes ☐ No ☐ Abstain

2. Approval of the Annual Report of Management ☐ Yes ☐ No ☐ Abstain

3. Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders' Meeting ☐ Yes ☐ No ☐ Abstain

4. Election of Directors

☐ Vote for all nominees listed below:

Oscar J. Hilado
Ramon R. del Rosario, Jr.
Magdaleno B. Albarracin, Jr.
Victor J. del Rosario
Jose L. Cuisia, Jr.
Eduardo A. Sahagun
Meliton B. Salazar, Jr.
Edgar O. Chua (*Independent)*
Juan B. Santos *(Independent)*
Lilia B. de Lima *(Independent)*
Rizalina B. Mantaring (*Independent*)
Guillermo D. Luchangco (*Non-Executive Director*)
Dato Timothy Ong (*Independent*)
Edilberto C. de Jesus (*Independent*)
Cielito F. Habito (*Independent*)

☐ Withhold vote/authority for all nominees listed on the left side

☐ Withhold authority to vote for the nominees listed below :

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5. Renewal of management contract with PHINMA Inc. ☐ Yes ☐ No ☐ Abstain

6. Appointment of Isla Lipana & Co./PwC Philippines as external auditor for CY 2024 ☐ Yes ☐ No ☐ Abstain

7. 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

___________________________ **Date**

____
Signature of Stockholder / Authorized Signatory

QUESTION / COMMENT : ____

____

This PROXY should be received by the Corporate Secretary **ON OR BEFORE April 17, 2024.** Proxies need not be notarized. Please attach for each of the stockholder and proxy, a photocopy of any government-issued identification card/document with photo and signature such as passport, driver's license or SSS ID for identification purposes.

A stockholder giving a proxy has the power to revoke the same on or before the last day of submission of proxies on April 17, 2024. A proxy is also considered revoked if the stockholder registers his attendance and delivers a later-dated Ballot/Proxy indicating that he/she/it is voting by ballot.

This proxy, when properly executed, will be voted in the manner directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above, and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

BALLOT / PROXY

Please mark as applicable:

☐ **Vote by ballot**

The undersigned stockholder of **PHINMA CORPORATION** (the "Company") hereby casts his/her vote on the agenda items below for the 2024 PHINMA CORPORATION ASM, as indicated by the mark "X" across each agenda item below.

☐ **Vote by proxy**

The undersigned, being a stockholder of **PHINMA CORPORATION** (the "Company"), hereby appoints ____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to 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 **April 23, 2024** and at any adjournment thereof for the purpose of acting or voting on the following matters:

1. Approval of the Minutes of the previous meeting. ☐ Yes ☐ No ☐ Abstain

2. Approval of the Annual Report of Management ☐ Yes ☐ No ☐ Abstain

3. Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders' Meeting ☐ Yes ☐ No ☐ Abstain

4. Election of Directors

☐ Vote for all nominees listed below:

Oscar J. Hilado
Ramon R. del Rosario, Jr.
Magdaleno B. Albarracin, Jr.
Victor J. del Rosario
Jose L. Cuisia, Jr.
Eduardo A. Sahagun
Meliton B. Salazar, Jr.
Edgar O. Chua (*Independent)*
Juan B. Santos *(Independent)*
Lilia B. de Lima *(Independent)*
Rizalina B. Mantaring *(Independent)*
Guillermo D. Luchangco (*Non-Executive Director*)
Dato Timothy Ong (*Independent*)
Edilberto C. de Jesus (*Independent*)
Cielito F. Habito (*Independent*)

☐ Withhold vote/authority for all nominees listed on the left side

☐ Withhold authority to vote for the nominees listed below :

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5. Renewal of management contract with PHINMA Inc. ☐ Yes ☐ No ☐ Abstain

6. Appointment of Isla Lipana & Co./PwC Philippines as external auditor for CY 2024 ☐ Yes ☐ No ☐ Abstain

7. 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

_________________________ **Date**

____
Signature of Stockholder / Authorized Signatory

QUESTION / COMMENT : ____

____

This PROXY should be received by the Corporate Secretary **ON OR BEFORE April 17, 2024.** Proxies need not be notarized. Please attach a photocopy of any government-issued identification card/document with photo and signature such as passport, driver's license or SSS ID for identification purposes.

A stockholder giving a proxy has the power to revoke the same on or before the last day of submission of proxies on April 17, 2024. A proxy is also considered revoked if the stockholder registers his attendance and delivers a later-dated Ballot/Proxy indicating that he/she/it is voting by ballot.

This proxy, when properly executed, will be voted in the manner directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

APPENDIX 1

PROCEDURE FOR ATTENDING THE MEETING
BY REMOTE COMMUNICATION

1. The meeting will be held physically and will be shown via livestreaming at www.asm.phinmacorp.ph. Stockholders of record as of March 25, 2024 are entitled to attend and vote on each item of the agenda of said meeting.

2. Stockholders who intend to attend the meeting by remote communication should notify the Company by email to phncorpsec@phinma.com.ph on or before April 17, 2024. Stockholders whose shares are lodged with brokers are requested to contact their brokers for guidance on their participation in the meeting.

   For validation purposes, the email should contain the following information:

   (i) Name of the stockholder;
   (ii) address;
   (iii) telephone number;
   (iv) email address through which the stockholder may be reached;
   (v) a scanned copy of any valid government-issued identification card ("ID") with photo and signature of the stockholder;
   (vi) if attending through a duly-appointed Proxy, the name of the Proxy, together with a scanned copy of his/her valid government-issued ID with photo and signature; and
   (vii) If the stockholder is a corporation or other entity, the name of its authorized representative, the valid government-issued ID with photo and signature of the representative, together with its Corporate Secretary's certification stating the representative's authority to represent the corporation or entity in the meeting.

   Only stockholders who have notified the Company of their intention to participate through remote communication as above-described, by themselves or through their proxies or representatives, and have been validated to be stockholders of record of the Company as of March 25, 2024 will be considered in determining attendance at the meeting.

3. Stockholders who do not register their participation in the meeting may still watch the same by accessing the livestreaming link indicated, but will not considered present at the meeting.

4. Stockholders can vote only through a Ballot/Proxy submitted to the Corporation physically or via email to phncorpsec@phinma.com.ph, on or before April 17, 2024. The Ballot/Proxy form may be downloaded from https://www.phinma.com.ph/investor-relations-program/.

   Only signatures of stockholders or their proxies or representatives on Ballots/Proxies that match their signatures appearing on the scanned copy of their government-issued identification card submitted during registration, as explained above, will be honored.

5. Stockholders may email to phncorpsec@phinma.com.ph their questions or comments on matters that are relevant to the meeting and the matters discussed on or before April 17, 2024. These will be answered during the meeting, subject to appropriateness, relevance and time limits, or by email.

6. The proceedings of the meeting will be recorded. A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting.

COVER SHEET

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S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

.

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A

D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

A N N A B E L L E   G U Z M A N

Contact Person

8 8 7 0 0 1 0 0

Company Telephone Number

Definitive Information Statement

1 2	3 1	S E C 2 0 - I S	0 3	2 5
Month	Day	FORM TYPE	Month	Day

Calendar Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

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

SEC Number 12397 File Number

______

PHINMA CORPORATION

12th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Telephone No.: **8870-0100**

Company's Calendar Year Ending: **December 31**

DEFINITIVE INFORMATION STATEMENT
(SEC FORM 20 - IS)

____

Amendment Designation (If Applicable)

December 31, 2023

Period-Ended Date

____

Secondary License Type and File No.

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

__X___**Definitive Information Statement**

2. Name of Registrant as specified in its charter:

PHINMA CORPORATION

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

Manila, Philippines

4. SEC Identification Number: **12397**

5. BIR Tax Identification Code: **321-000-107-026**

6. Address of principal office:

12/F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210

7. Registrant's telephone number, including area code: **(632) 88700-100**

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

Date	**:**	**April 23, 2024, Tuesday**
Time	**:**	**10:00 a.m.**
Place	**:**	**The Fifth at Rockwell, R5 Level, Power Plant Mall, Rockwell Center, Makati City**
Livestream	:	**www.asm.phinmacorp.ph**

9. Approximate date when the Information Statement is first to be posted on the Company website (https://www.phinma.com.ph): **March 27, 2024**

10. Securities registered pursuant to 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	No. of shares of Common Stock Outstanding or Amount of Debt Outstanding (as of Dec. 31, 2023)
Common shares	**286,325,265 shares**
Amount of Debt	**P14.1 billion**

11. Are any or all registrant's securities listed on the Philippine Stock Exchange?

Yes **x** No _

If yes, disclose the name of such Stock Exchange and the class of securities listed therein :

Philippine Stock Exchange, Inc. - common shares

PHINMA CORPORATION
Information Statement

This Information Statement is dated as of January 31, 2024 and is being furnished to stockholders of record of PHINMA CORPORATION, (the “Company” or “PHN”) as of March 25, 2024 in connection with its Annual Stockholders Meeting.

WE ARE NOT SOLICITING YOUR PROXY.

A. BUSINES AND GENERAL INFORMATION

ITEM 1. Date and Time of Annual Meeting of Security Holders

Votes will be cast via viva voce or, when necessary, through a Ballot form for stockholders attending physically, and by Ballot/Proxy form for stockholders attending remotely. The deadline for the submission of Proxies or Ballots/Proxies (for stockholders attending remotely) is on April 17, 2024. Proxies and Ballots/Proxies may be sent to the office of the Corporation or by email to phncorpsec@phinma.com.ph. For the convenience of the stockholders of the Company, a sample Proxy and a Ballot/Proxy is attached to the Definitive Information Statement.

For an individual, his/her Proxy or Ballot/Proxy must be accompanied by a copy of a valid government-issued ID with a photo. For a corporation, the Ballot/Proxy must be accompanied by its Corporate Secretary’s certification stating the representative’s authority to represent the corporation in the meeting, together with a copy of the valid government-issued ID with photo of the said authorized representative. Proxies and Ballots/Proxies need not be notarized. Validation of Ballots/Proxies will be on April 17, 2024 starting at 9:00 a.m. at the office of Stock Transfer Services, Inc. at 34/f Unit D, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant to the meeting on or before April 17, 2024.

Date	:	**April 23, 2024**
Time	:	**10:00 a.m.**
Place	:	**The Fifth at Rockwell** **R5 Level Power Plant Mall, Rockwell Center,** **Makati City**
Principal Office	:	**12th Floor, PHINMA Plaza,** **39 Plaza Drive, Rockwell Center** **Makati City, Philippines 1210**
Livestream	:	**www.asm.phinmacorp.ph**

Approximate date when the Information Statement is first to be posted on the Company website (https://www.phinma.com.ph): **March 27, 2024**

ITEM 2. Dissenters’ Right of Appraisal

There are no matters to be taken-up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 80 of the Revised Corporation Code of the Philippines (the “Code”) governing the exercise of Appraisal Rights which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder 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;

b) 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 Code;

c) In case of merger or consolidation; and

d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Section 81 of the Revised Corporation Code provides the following procedure on how the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action on any of the above instances:

1) The dissenting stockholder who votes against a proposed corporate action may in writing demand from the corporation the payment of the fair value of shares held, within thirty (30) days from the date on which the vote was taken: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

2) If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

ITEM 3. Interest of Certain Persons in Matters to be Acted Upon

a) There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon, other than election to office of directors.

b) The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

a) Voting Securities

As of January 31, 2024, there are 286,325,265 shares of the Company's common stock that are outstanding. Of the said outstanding voting shares, 285,771,337 shares are owned by Filipinos and 553,928 shares are owned by foreign nationals. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

b) Record Date

Only holders of the Company's stock of record at the close of business on March 25, 2024 are entitled to the notice of and to vote in the Annual Meeting to be held on April 23, 2024.

c) Voting Rights

In accordance with Section 23 of the Revised Corporation Code, and consistent with Company's By-Laws (the "Company's By-Laws"), directors of the Company shall be elected by cumulative voting. Each stockholder may vote in person or by proxy the number of shares of stock standing in his own name in the books of the Company as of the record date of the meeting. A stockholder may: a) vote such number of shares for as many persons as there are directors to be elected; b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or (c) 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 corresponding number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected, and provided further, that no delinquent stock may be voted.

d) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to PHN as of January 31, 2024 to be directly or indirectly the record or beneficial owners of more than 5% of the company's voting securities:

Table 1 - Owners of Voting Securities

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	# of Shares held	%
Common	Phil. Investment Mgmt.(PHINMA), Inc. ("PHINMA, Inc.") [1] Level 12, Phinma Plaza, No. 39 Plaza Drive Rockwell Center, Makati City Stockholder	Phil. Investment Mgmt. (PHINMA), Inc. which is also the record owner. Mr. Oscar J. Hilado, Chairman of Board, is the person appointed to exercise voting power.	Filipino	188,386,207	65.79%
Common	Philippine Depository and Trust Corporation [2] MSE Bldg. Ayala Avenue Makati City Stockholder	Various	Filipino	51,145,288	17.86%

[1] Phinma Inc.'s principal stockholders are: 1) EMAR Corporation (46.82%), a Filipino company principally owned by the immediate family of the late Amb. Ramon V. del Rosario, Sr., 2) Mariposa Properties, Inc. (30.25%), which is owned by Mr. Oscar J. Hilado and the members of his immediate family, and 3) Dr. Magdaleno B. Albarracin, Jr. who owns 9.59% of Phinma Inc.'s outstanding shares. The Del Rosario and Hilado Families are expected to direct the voting of the shares held by EMAR Corp. and Mariposa Properties, Inc.

[2] Philippine Depository and Trust Corporation ("PDTC") is a wholly-owned subsidiary of Philippine Central Depository, Inc., ("PCD") which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are PCD participants who hold the shares on their behalf or in behalf of their clients.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of PHN as of January 31, 2024.

Table 2 - Security Ownership of Management

Title of Class	Name of Beneficial Owner	No. of shares	Nature of Beneficial Ownership	Citizenship	% of Ownership
Common	Oscar J. Hilado	400,000 800,000 1,007,776	Direct Indirect Indirect	Filipino Filipino Filipino	.140% .279% .352%
Common	Magdaleno B. Albarracin, Jr.	11,300,000	Direct	Filipino	3.947%
Common	Victor J. del Rosario	1,069,245 1,059,998 789,138	Direct Indirect Indirect	Filipino Filipino Filipino	.373% .370% .276%
Common	Ramon R. del Rosario, Jr.	432.661 9,855,424 789,139 250,000	Direct Indirect Indirect Indirect	Filipino Filipino Filipino Filipino	.151% 3.442% .276% .087%
Common	Jose L. Cuisia, Jr.	17,927	Direct	Filipino	.006%
Common	Meliton B. Salazar Jr.	1 20,270	Direct Indirect	Filipino Filipino	.000% .007%
Common	Eduardo A. Sahagun	1	Direct	Filipino	.000%
Common	Rizalina G. Mantaring	1	Direct	Filipino	.000%
Common	Juan B. Santos	50,001	Direct	Filipino	.017%
Common	Lilia B. de Lima	1	Direct	Filipino	.000%
Common	Edgar O. Chua	1	Direct	Filipino	.000%
Common	Pythagoras L. Brion, Jr.	354,086	Direct	Filipino	.124%
Common	Regina B. Alvarez	449,571	Direct	Filipino	.157%
Common	Jose Mari del Rosario	349,785 512,576 575,036	Direct Indirect Indirect	Filipino Filipino Filipino	.122% .179% .201%
Common	Raphael B. Felix	25,000	Direct	Filipino	.009%
Common	Rolando D. Soliven	31,000	Direct	Filipino	.011%
Common	Nanette P. Villalobos	26,450	Direct	Filipino	.009%
Common	Peter V. Perfecto	29,000	Direct	Filipino	.010%
Common	Edmund Alan A. Qua Hiansen	22,900	Direct	Filipino	.008%
Common	Annabelle S. Guzman	10,000	Direct	Filipino	.004%
Common	Grace M. Purisima	2,900	Direct	Filipino	.001%
Directors and Officers as a Group		**30,229,888**			**10.558%**

Voting Trust Holders of 5% or more

None of the Directors and Officers own 5% or more of the outstanding capital stock of the Company. Also, the Company is not aware of any individual holding more than 5% of the Company's outstanding shares.

Changes in Control

There are no arrangements that may result in a change in control of the registrant, nor has there been any change in control since the beginning of the last calendar year.

ITEM 5. *Directors and Executive Officers*

a) __Board of Directors__

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets quarterly or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders Meeting to hold office for one year and until their respective successors have been elected and qualified. No director has resigned nor declined to stand for re-election to the Board since the date of the last annual meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices. The Board of Directors has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

Except for Dr. Magdaleno B. Albarracin, Jr., a member of the Board of Directors who directly owns 3.947% of PHN shares, none of the members of the Board of Directors and Officers directly own more than 2% of PHN shares.

Listed are the incumbent directors of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Table 3 - Board of Directors

Directors	Citizenship	Age	Position
Oscar J. Hilado	Filipino	86	Chairman Emeritus
Ramon R. del Rosario, Jr.	Filipino	79	Chairman & CEO
Magdaleno B. Albarracin, Jr.	Filipino	87	Vice-Chairman
Victor J. del Rosario	Filipino	75	Director
Meliton B. Salazar, Jr.	Filipino	58	President & COO, Head of Education
Eduardo A. Sahagun	Filipino	66	Executive Vice President, Construction Materials
Amb. Jose L. Cuisia, Jr.	Filipino	79	Director
Juan B. Santos	Filipino	85	Independent Director
Lilia B. de Lima	Filipino	83	Independent Director
Rizalina G. Mantaring	Filipino	64	Independent Director
Edgardo O. Chua	Filipino	67	Independent Director

Oscar J. Hilado is the Chairman Emeritus of PHINMA Corporation and was the Chairman of the Board from 2003 to 2021. He is the Chairman of the Board of the Philippine Investment-Management (PHINMA), Inc. ("PHINMA, Inc."), and Vice-Chairman of PHINMA Properties Holding Corp., and Union Galvasteel Corporation. Mr. Hilado is an Independent Director and Chairman of the Audit Committee of A. Soriano Corporation, Philex Mining Corporation, Smart Communications, Inc., Rockwell Land Corporation and Roxas Holdings Inc. He is also a Director of Seven Seas Resort and Leisure, Inc., Digital Telecommunications Philippines, Inc., Manila Cordage Company, Beacon Venture Holdings, Inc., United Pulp and Paper Company, Inc., Phil. Cement Corp., PHINMA Hospitality, PHINMA Education and the PHINMA Education schools.

Mr. Hilado is a Certified Public Accountant with a Bachelor of Science Degree in Commerce from the De La Salle College in Bacolod and a Master's Degree in Business Administration from the Harvard Graduate School of Business. He has been a Director of the Company since 1969 and is also the Chairman of the Executive Committee and Retirement Committee and member of the Nominations Committee and Executive Compensation Committee of the Company. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

***Ramon R. del Rosario, Jr*.** is the Chairman and Chief Executive Officer of PHINMA Corporation whose business portfolio includes educational institutions, the manufacture and distribution of construction materials, property development, and hotels and hospitality management. He is also Chairman of the educational institutions under the PHINMA Education Network: Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna and Union College of Laguna and a number of other PHINMA companies. He is President of the Board of Commissioners of PT Ind Phil Management. He serves as a member of the Board of Directors of Bank of the Philippine Islands (BPI).

Mr. del Rosario served as the Philippines' Secretary of Finance from 1992 to 1993 and is a Masters in Business Administration graduate of Harvard Business School and of De La Salle University, Manila with an AB-BSC degree, magna cum laude. He is a 1978 Ten Outstanding Young Men (TOYM) awardee in the field of Investment Banking and Finance and was conferred the "Management Man of the Year Award for 2010" by the Management Association of the Philippines. Mr. del Rosario was honored in 2010 by the Philippine District of the De La Salle Brothers as an Affiliated Member of the Institute of the Brothers of the Christian Schools. He was also awarded the "Business as a Noble Vocation Award", the first recipient of this global award presented by the International Christian Union of Business Executives or UNIAPAC in Lisbon, Portugal during its XXVI World Congress on November 24, 2018. In addition to two earlier honorary doctorate degrees from other institutions, Mr. del Rosario was recently conferred the Degree of Doctor of Business Administration, Honoris Causa, by De La Salle University last December 10, 2022.

Mr. del Rosario is Chairman of Philippine Business for Education (PBEd). He is Vice Chairman of Caritas Manila and PHINMA Foundation, and is a member of the Board of Trustees and former chairman of the Makati Business Club and the Ramon Magsaysay Award Foundation. He is a member of the World Bank-Civil Service Organizations (CSO) Advisory Group and of the Board of Advisors of Ramon V. del Rosario, Sr.-AIM Center for Corporate Social Responsibility. He also served previously as Chairman of the National Museum of the Philippines and the Integrity Initiative. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Dr. Magdaleno B. Albarracin, Jr. is the Vice-Chairman of PHINMA Corporation and Philippine Investment Management, Inc. (PHINMA, Inc.) and the Chairman of PHINMA, Inc.'s Executive Committee. He is a Member of the Board of all the companies in the PHINMA Group. He was president and a former director of Holcim Philippines, Inc. Dr. Albarracin was a member of the Board of Regents of the University of the Philippines (U.P.) as well as Board of Trustees of U.P. Engineering Research and Development Foundation, Inc. (UPERDF). He was the Chairman of the Board of Trustees of the University of San Carlos, Cebu City. He served as Dean of the UP College of Business Administration and was President of the ASEAN Federation of Cement Manufacturers. Dr. Albarracin has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. He has been with PHINMA, Inc. since June 23, 1971 and has been a Director of PHINMA Corporation since 1980. He attended the Corporate Governance Orientation Program of the Institute of Corporate Directors on November 7 & 8, 2023.

Dr. Meliton B. Salazar, Jr., is the President & COO, Head of Education of PHINMA Corporation. Concurrently, he is the President and Chief Executive Officer of PHINMA Education and a Senior Vice President of PHINMA, Inc. from 2003 to present. Dr. Salazar was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021, and will serve as such for the ensuing year, until his successor is duly elected.
He is also the President and Co-Founder of Philippine Business for Education (PBEd), a nonprofit organization founded by the country's top business leaders that works for education policy reform, the Vice-Chairman of the Board of Trustees of Ateneo de Manila University (ADMU), and Governor of the Management Association of the Philippines (MAP).

Dr. Salazar has a PhD in International Relations, Major in International Development and Development Management from the School of International Service at The American University in Washington, D.C.; an M.A. in International Political Economy and Development from Fordham University in New York, and a B.S. Management Engineering degree from ADMU.

Prior to joining PHINMA, he was a part-time Associate Professor at the School of Management and at the School of Social Sciences from 2007 to 2010 and Part-Time Lecturer at the Department of Economics, Department of English and Department of Math at the Ateneo de Manila University (ADMU) from 1998 to 1992. He was also a part-time Lecturer at the Economics Department of Assumption College and an Associate Professor at the Asian Institute of Management (AIM). From 1997 to 1998 he served as a Consultant at the Institute of Environmental Studies and United National Environmental Programme Project. He became a Research Assistant to both Dr. James Mittelman, Chair of the Department of Regional and Comparative Studies and Dr. Steven Arnold, Director of the International Development Program at the American University from 1993 to 1995. In 1991, he was an Assistant to Dr. Henry Schwalbenberg, Director of the Program in International Political Economy and Development of Fordham University.

Victor J. del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Chairman of Union Galvasteel Corporation and PhilCement Corporation. He is also a member of the Board of Directors of PHINMA, Inc. and other PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Jose Mari del Rosario. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Eduardo A. Sahagun, is the President and Chief Executive Officer of UGC, PHINMA Solar, and PhilCement. He has held the roles for these companies, since 2017. He is also a director of UGC, PhilCement, PHINMA Solar, PPHC, T-O Insurance Brokers, Inc., PHINMA Renewable Energy Corporation, PHINMA Corporation, Song Lam Joint Stock Company, First Batangas Hotel Corporation, and Cagayan de Oro College, Inc., as well as a member of the PHINMA Foundation, Inc.'s Board of Trustees. He is also the Chairman of Edcommerce Corporation and an Independent Director of Philippine Savings Bank. He formerly served as Chairman and President of Holcim Philippines, Inc., as a Director of Holcim Philippines Manufacturing Corporation, and as a Director of Holcim Mining and Development Corporation. He attended the Senior Management Program, Senior Leadership Program, and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. He obtained his graduate degree in Management Science from the Arthur D. Little Management Education Institute (now known as Hult International Business School) in Cambridge, MA, USA, in 1994. Prior to that, he obtained a Master's in Business Administration from the Ateneo Graduate School of Business in the Philippines and is a Certified Public Accountant. In 1978, he obtained his Bachelor of Science in Commerce degree, with a major in Accounting, from Holy Angel University. Mr. Sahagun was first elected as a Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021, and will serve as such for the ensuing year, until his successor is duly elected. He attended the Annual Corporate Governance Seminar on Governance of Data Privacy Management, Executive Briefing on Cybersecurity for Board and Management, Updates on Anti-Money Laundering Laws and Regulations, The Corporate Board's Roadmap to ESG-Driven Sustainability Strategy and Reporting conducted by SEC-accredited training provider Center for Global Best Practices on October 20, 2023.

Jose L. Cuisia, Jr. was the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti, Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. Ambassador Cuisia previously served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990-1993, was Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. He was also Administrator and CEO of the Philippine Social Security System from 1986-1990. He was also appointed Commissioner, representative of the Employer's Group, for the Social Security System (SSS) from September-December 2010. He was President and CEO of Philam Life for 16 years. He is the Chairman of the Board of The Covenant Car Company, Inc. and FWD Life Insurance Company, Adlemi Properties Inc., Five J's Diversified Inc. and JVC Holdings Corporation. He was Vice-Chairman of the Board and Lead Independent Director of SM Prime Holdings and former director of Manila Water Company, Inc. He holds directorates in Century Properties Group, Inc., PHINMA, Inc., and Asian Breast Center, Inc. He previously held the Chairmanship of the Board of Far East Bank and Trust Company, Union Bank of the Philippines, Asian Institute of Management, BPI-Philam Life Assurance Co., Philam Foundation, Tower Club, Inc., and De La Salle University. Ambassador Cuisia was elected as Chairman of the Board of Trustees of the University of Asia & the Pacific in 2019; elected to the Board of Trustees of the De La Salle Medical & Health Sciences Institute and De La Salle University -Dasmarinas in December 12, 2019 and the former Chairman, Current Trustee and Treasurer of the Ramon Magsaysay Awards Foundation. He is a Convenor-Trustee of the PBED and a Trustee of the Makati Business Club. Ambassador Cuisia is a recipient of numerous awards including 2016 Ten Outstanding Filipino, 2016 Order of the Sikatuna, and Management Man of the Year Award for 2007 from the MAP, among others. He obtained his BSC-Accounting and AB-Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from University of Pennsylvania. He has been a Director of the Company since 1994. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Juan B. Santos was elected as an Independent Director in 2018 and was appointed as Lead Independent Director in June 2021. He is also an Independent Director of Rizal Commercial Banking Corporation and Lead Independent Director of House of Investments, Inc. He is a Director of Sunlife Grepa Financial, Inc., and Allamanda Management Corporation. He is a Member of the Advisory Board of Mitsubishi Motors Phils. Corp. and East-West Seeds Co; Trustee of St. Luke's Medical Center. His past experiences include: Chairman of Social Security System; Secretary of Trade and Industry, Philippines ; Chairman and CEO of Nestle Philippines, Singapore and Thailand; Director of Philex Mining Corporation, Philippine Long Distance Telephone Company, San Miguel Corporation; Educational Background: Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Postgraduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Dr. Lilia B. de Lima received the 2017 Ramon Magsaysay Award for her sustained leadership as Director General of the Philippine Economic Zone Authority, in building a credible and efficient ("PEZA") during her 21 years of service from its creation in 1995 to 2016. She is the first woman honored as "Management Man of the Year" by the Management Association of the Philippines in 2010. In 2014 The Philippine-Japan Society recognized her Outstanding Achievement in the Promotion of Philippine-Japan Relation, the first woman to receive the award in 36 years. The Joint Foreign Chambers of Commerce of the Philippines awarded her The Arangkada Lifetime Achievement Award in 2014. She was awarded the Robert Storey International Award for Leadership by The Center for American and International Law in Dallas, Texas in 2013. She was awarded the ASEAN CEO Award in 2011 and in 2010 the Government of Japan bestowed on her the highest award given to a non-head of State, the Order of the Rising Sun, Gold and Silver Star. She is twice a recipient of the Presidential Medal of Merit from the Philippine government. Miss de Lima was also recognized as Outstanding Women in the Nation's Service Award in the field of law in 1983. She was elected Delegate to the 1971 Constitutional Convention, served as Director of the Bureau of Domestic Trade, Executive Director of the Price Stabilization Council, Department of Trade and Industry, Chief Operating Officer of World Trade Center Manila and Commissioner of the National Amnesty Commission.

She earned her Associate in Arts from the Centro Escolar University and her Bachelor of Laws from the Manuel L. Quezon University and subsequently passed the Philippine BAR. She was conferred a Doctor of Laws Honoris Causa by Manuel L. Quezon University and is a fellow of the Center for American and International Law in Dallas, Texas, USA. She is Independent Director of IONICS, Inc., IONICS EMS, FWD Insurance Philippines, Dusit Thani Philippines, Science Park of the Philippines, RFM Science Park of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties Inc. and Cadence Property Development. She is a Directors/Trustee of Fatima Center for Human Development, Senior Adviser to the Board in RCBC and a Board Advisor of AC Industries. She was elected as Independent Director of the Company on April 19, 2018. She attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Rizalina G. Mantaring was the CEO of Sun Life Financial Philippines until her retirement in June 2018, after which she assumed the chairmanship of Sun Life Financial Philippine Holding Co. until she stepped down in August 2019. She started her career in Information Technology, joining Sun Life in 1992 as Senior Manager for Asia Pacific of its Information Systems Department and progressively took on a variety of roles until she was appointed Chief Operations Officer for Asia in 2008. She is the Lead Independent Director of First Philippine Holdings Corporation Inc. and Bank of the Philippine Islands. She is an Independent Director of Ayala Corporation Inc., Universal Robina Corporation Inc., BPI Asset Management & Trust Company (BPI Wealth), GoTYME Bank, Inc., Maxicare Healthcare Corporation Inc. and East Asia Computer Center Inc. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are as Board of Trustees of Makati Business Club and Philippine Business for Education. She was also President of the Management Association of the Philippines and the Philippine Life Insurance Association. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network Consumer News and Business Channel (CNBC), she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, and was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She was selected as one of the 100 Most Outstanding Alumni of the past century in 2010 by the University of the Philippines College of Engineering and received the PAX award, the highest award given to outstanding alumnae, in 2019 from St. Scholastica's College Manila. She holds a BS Electrical Engineering degree from the University of the Philippines where she graduated with honors. She obtained her MS degree in Computer Science from the State University of New York at Albany. She is also a Fellow, Life Management Institute (with distinction) and Associate, Customer Service (with honors) of the Life Office Management Association. She was elected as Independent Director of the Company on April 12, 2019. She attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Edgar O. Chua is currently the Chairman of Makati Business Club, Philippine Business for the Environment and De La Salle Philippines. He is the Lead Independent Director of Integrated Micro-Electronics, Inc., Independent Director of Metropolitan Bank and Trust Company since 2017, PhilCement since 2021, and First Gen since 2021. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of PBED and Trustee for the De La Salle Greenhills since 2019, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation Inc. 2003. He is also a Member of the Advisory Board of Mitsubishi Motors Phil. Corp. and Coca Cola Bottlers Phils. Mr. Chua is affiliated with the Integrity Initiative, National Resilience Council, and the Phil. Disaster and Resilience Foundation. He held senior positions within various Shell group of companies, both locally and outside of the Philippines, including but not limited to being the Chairman and President of Pilipinas Shell Petroleum from September 2003 to May 2017 and being the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He earned his Bachelor of Science degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France.

Mr. Chua was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021 and will serve as such for the ensuing year, until his successor is duly elected. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

b) <u>Executive Officers</u>

The officers of PHINMA Corporation are elected annually by the Board of Directors and serve for one (1) year and until their respective successors are elected and qualified.

None of the officers of the Company holds more than two percent (2%) of the Company's shares.

Table 4 – Executive Officers

Name	Citizenship	Age	Position
Ramon R. del Rosario, Jr	Filipino	79	Chairman and CEO
Meliton B. Salazar, Jr.	Filipino	58	President and COO, Head of Education
Eduardo A. Sahagun	Filipino	66	Executive Vice President, Construction Materials
Pythagoras L. Brion, Jr.	Filipino	71	Group CFO
Jose Mari del Rosario	Filipino	66	Senior Vice President, Hospitality
Raphael B. Felix	Filipino	52	Senior Vice President, Properties
Regina B. Alvarez	Filipino	57	Senior Vice President and Group Controller
Nanette P. Villalobos	Filipino	51	Vice President and Treasurer
Edmund Alan A. Qua Hiansen	Filipino	40	Vice President, Deputy Group CFO
Annabelle S. Guzman	Filipino	51	Vice President, Controller
Rolando Soliven	Filipino	49	Vice President, Corporate Governance
Peter Angelo V. Perfecto	Filipino	58	Vice President, Public Affairs
Alejandro Diego Luis Giles R. Katigbak	Filipino	53	Chief Risk Officer
Grace M. Purisima	Filipino	41	Assistant Treasurer
Troy A. Luna	Filipino	61	Corporate Secretary
Ma. Concepcion Z. Sandoval	Filipino	43	Assistant Corporate Secretary

Pythagoras L. Brion, Jr. was appointed as Executive Vice President and Group CFO on November 10, 2021. He concurrently serves as Executive Vice President and Group CFO of PHINMA, Inc. He serves in the Board of Directors of SJCI, RCI, PHINMA Solar Corporation, CDCC, API and PHINMA PRISM Property Development Inc. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from the University of the Philippines. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Jose Mari del Rosario Senior Vice President – Hospitality of PHINMA Corporation (PHN), is concurrently the President and CEO of PHINMA Microtel Hotels Inc. and PHINMA Hospitality, Inc. These two companies are the master franchise holder and management company respectively of Microtel by Wyndham & TRYP by Wyndham in the Philippines. Microtel & TRYP are international hotel chains under Wyndham Hotels & Resorts with properties operating in key business hubs and leisure destinations in the country. Mr. del Rosario is also the President and CEO of Paramount Hotels & Facilities Management Co. Inc., which provides property management and consultancy services to hotels, food & beverage facilities, and office/commercial buildings.

Presently, he sits on the Board of Directors of the Philippine Hotel Owners Association and Philippine Franchise Association. In 2015, he was honored with the Ernst & Young Entrepreneur of the Year – Industry Entrepreneur award for his game-changing role in the hospitality industry. In 2007, he was recognized by GoNegosyo as Most Inspiring Tourism Entrepreneur. He earned his Diploma in Hotel & Restaurant Management in Hotelconsult Schulhotels (now César Ritz Colleges) Valais, Switzerland. He is also an alumnus of Cornell University's General Managers Program. He took up his MBA at Arthur D. Little School of Management (now Hult International Business School) in Cambridge, Massachusetts. He is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Victor J. del Rosario. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Raphael B. Felix**,** Senior Vice President - Properties of PHINMA Corporation (PHN) is concurrently the President and Chief Executive Officer of PHINMA Property Holdings Corporation (PPHC), the real-estate subsidiary of PHN. He also serves as the President of PHINMA Prism Development Corporation since 2019, involved in upscale housing developments. He also serves as chairman of Community Developers and Construction Corporation, PPHC's construction arm. He joined PHINMA Properties in 2007 as Business Planning Manager. Mr. Felix is a graduate of AB Economics from the Ateneo de Manila University and has attended business planning and strategy courses from Asian Institute of Management, Ateneo Graduate School and Harvard Business Review. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Regina B. Alvarez is the Senior Vice President and Group Controller. She was previously appointed as Senior Vice President – Finance of the company in April 2005. Ms. Alvarez is concurrently Senior Vice President and Group Controller of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is also a director of AU and SWU. Ms. Alvarez is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Administration from the Wharton School of Business.

Nanette P. Villalobos was appointed Vice President and Treasurer in January 2019. She was previously the Treasurer for PHEN from 2018 to 2019 and Treasurer for South Luzon Thermal Energy Corporation from 2015-2019. Currently, she also holds the following positions: Vice President and Treasurer for PHINMA, Inc., Assistant Treasurer for PPHC, Treasurer for PHINMA Education Holdings, Inc., Treasurer and Compliance Officer for TO Insurance Brokers, Inc. and Treasurer for PHINMA Hospitality. She obtained her degree in Bachelor of Science in Accountancy from University of the East. She completed the Ateneo-BAP Treasury Certification Program in 2004. She attended the Basic Management Program at the Asian Institute of Management in 2008. She attended and completed a Certification study for Macro Economics at University of Asia and the Pacific in 2014. She took up the Diploma Program in Corporate Finance of the Ateneo Graduate School of Business-Center for Continuing Education in 2022. She is a member of Fund Managers Association of the Philippines (FMAP) and Financial Executives Institute of the Philippines (FINEX). She attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Edmund Alan A. Qua Hiansen is Vice President, Strategy and Planning. Concurrent positions held include: Chief Financial Officer of Song Lam Cement Joint Stock Company and Deputy Chief Finance Officer of PHINMA Prism Development Corporation. He holds a Bachelor of Science degree in Finance from Butler University in Indianapolis, Indiana, USA where he was recognized as one of the Top 100 Outstanding Students in 2005 and a Master's degree in Global Finance from HKUST-NYU Stern. He is the Chairman of the FINEX Research and Development Foundation Junior FINEX Committee and a Vice Chairman of the Financial Executive Institute of the Philippines Ethics Committee. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Annabelle S. Guzman is Vice President, Controller. She joined the company in September 2020 and was appointed Vice President and Controller on April 14, 2021. She is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. Prior to joining the Company, she worked in the financial services industry, as VP – Fund Administration Manager with JP Morgan Chase & Co and as Finance Head with Pepper Financial Services. She attended the SEC accredited training on Strategic Thinking for Board Directors and Leaders on November 17, 2023.

Rolando D. Soliven was elected Compliance Officer on April 14, 2021 and is concurrently Vice President – Group Corporate Governance since April 2019 and Data Protection Officer since May 2022. He has been an officer of the company since March 2012. He holds a Bachelor of Science degree in Accountancy from San Beda College. He has also completed the Enterprise Wide Risk Management Program and the Business Analytics Program of the Asian Institute of Management. He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified in Risk Management Assurance (CRMA), ISO 31000 Certified Risk Manager (CRM), and Certified Fraud Examiner (CFE). He is a Fellow of the Institute of Corporate Directors (ICD) and a member of both the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE). He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Peter Angelo V. Perfecto was appointed Vice President, Public Affairs in April 2019. As former Executive Director of the Makati Business Club from 2011 to 2018, he also took on leadership and secretariat roles in the Integrity Initiative, Bishops-Businessmen's Conference for Human Development, National Competitiveness Council and the APEC Business Advisory Council. He also helped establish Philippine Business for Education and became its first Executive Director, driving business-led advocacies for education reform and mobilizing resources from corporates as well as international agencies. Today, he concurrently serves as the PHINMA Foundation Vice President, chairman of the Oxfam Pilipinas Board as well as its Country Governance Group, and private sector representative of the People's Survival Fund. His other past positions include Director V for Media and Public Affairs of the Office of the Presidential Adviser on the Peace Process and Executive Director of Amnesty International Philippines where he had the opportunity to join various international meetings and working groups on human rights. An alumnus of the Ateneo de Manila University, he completed his Bachelor of Science in Management Engineering in 1987. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Alejandro Diego Luis Giles R. Katigbak was appointed as Assistant Vice President, Chief Risk Officer effective April 12, 2022. He received his bachelor's degree in Management Economics from the Ateneo de Manila University and an MBA with concentration in Finance and Corporate Accounting from the University of Rochester in New York. Prior to joining PHINMA Corporation he was employed in a financial advisory capacity at various Philippine firms including Investment & Capital Corporation of the Philippines, Jardine Fleming Exchange Capital Group, Inc., and SyCip, Gorres, Velayo and Company. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Grace M. Purisima joined the company in 2011 and was elected Assistant Treasurer in April 2019. She is also the Assistant Treasurer of PHINMA, Inc. She completed the Treasury Certification Program from the Ateneo de Manila University Graduate School of Business and Bankers Association of the Philippines (Ateneo-BAP) in 2012. She holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Troy A. Luna was elected as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the AU, COC, UPang, UI, SWU, SJCI, RC, RCL, UCL, PHINMA Education, Asian Plaza, Inc., UGC, PhilCement, ABCIC, Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., a Trustee of the Licensing Executives Society of the Philippines and a Trustee and President of the Intellectual Property Alumni Association . He was elected as Director of the Company on November 5, 2020 until April 2021. He holds a Liberal Arts in Economics degree from the De La Salle University. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and name Partner of the Migallos & Luna Law Offices. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

Ma. Concepcion Z. Sandoval was elected Assistant Corporate Secretary in March 2017. She also acts as Assistant Corporate Secretary of PHINMA, Inc. and other PHINMA-related companies such as UI, PHIINMA Education, ABCIC, Asian Plaza, Inc., Toon City Animation, Inc. and unrelated companies such as TCL Sun, Inc. and Philippine Business for Education, Inc. She earned her Bachelor of Laws degree from San Beda College of Law in 2006 and was admitted to the Philippine Bar in 2007. She holds a Bachelor of Arts major in Legal Management degree from the University of Sto. Tomas. She is a Junior Partner of the Migallos & Luna Law Offices. She attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

c) Family Relationship

Ramon R. del Rosario, Jr. is the brother of Mr. Victor J. del Rosario and Mr. Jose Mari del Rosario. Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to PHN's Board are related up to the fourth civil degree, either by affinity or consanguinity.

d) Significant Employees

Other than the Directors and Officers identified in the item on Directors and Executive Officers in this Information Statement, there are no other employees of the Company who may have significant influence in the Company's major and/or strategic planning and decision-making.

e) Involvement in Certain Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, 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 (2) 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.
5) A securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

f) Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its Directors or Executive Officers.

g) Relationships and Related Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

The Company, in the regular conduct of business, has entered into transactions consisting of reimbursement of expenses, office space rentals, consultancy fees and grant of non-interest bearing advances with associates and other related parties. Transactions entered into with related parties are at arm's length and have terms similar to the transactions entered into with third parties.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

			2023			
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 11)	**Terms**	**Conditions**
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱333,022**	**₱70,636**	**₱5,660**	Noninterest-bearing	Unsecured, no impairment
	Purchase of shares	**2,335,451**	–	–	Noninterest-bearing	Unsecured, no impairment
	Purchase of properties	**452,787**	–	–	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Insurance Brokers, Inc. (PHINMA Insurance), PHINMA Foundation, Inc., Phinma Plaza Condominium Corporation, Phinma Prism Property Development Corp.	Advances (PHINMA Prism)	–	–	**56,142**	Interest-bearing at range of 4.7% - 6.3% for 95 days	Unsecured, no impairment
	Interest income (PHINMA Prism)	**3,597**	–	–	Interest at 4.7% to 6.3%	Unsecured, no impairment
	Share in expenses	**10,344**	**1,345**	**68,970**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM, PHINMA Saytanar (PSEd), PE International, Yayasan Triputra Persada	Share in expenses	**5,384**	–	**17,066**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**2,437**	–	**3,032**	Noninterest-bearing	Unsecured, no impairment
InPHIN8, DBHC, FBHC, SFSHC	Management And Incentive Fees	**10,714**	–	–	Noninterest-bearing	Unsecured, no impairment
	Rent (Inphin8)	**8,943**	–	–		
			₱71,981	**₱150,870**		

2022 (in thousands)						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱263,387	₱103,111	₱2,084	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	927	-	6,271	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	-	-	6	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	-	52,000	-	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	9,338	425	8,075	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	10,160	59	11,682	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	2,437	-	800	Noninterest-bearing	Unsecured, no impairment
			₱155,595	₱28,918		

In last two years, the Company was not a party in any transaction in which a Director or Executive Officer of the Company, any nominee for election as a director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest thereon, except as disclosed below.

The Company has a management contract with Philippine Investment-Management (PHINMA), Inc. up to June 30, 2024 renewable thereafter upon mutual agreement. Under this contract, PHINMA has a general management authority with the corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of finance and other business activities of the Company. Under the existing management agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income. Renewal has been approved by the Board on March 5, 2024 and will be endorsed to the shareholders for their approval during the Annual Shareholders' Meeting on April 23, 2024.

As of January 31, 2024, PHINMA Inc. owns 188,386,207 shares, which represent 65.79% of total outstanding shares of stock of the Company.

Material related party transactions are reviewed by the Audit and Related Party Committee of the Board. The Company have approval requirements and limits on the amount and extent of related party transactions in compliance with the requirements under Revised SRC Rule 68.

Refer to Note 33 – Related Party Transactions of the 2023 Audited Consolidated Financial Statements for further details.

h) ***Election of Directors***

The Directors of the Company are elected at the Annual Stockholders Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The functions of the Nominations Committee was tucked into the new Corporate Governance and Nominations Committee which was created on May 15, 2017 at the Organizational Meeting of the Company in compliance with the recommendations of the Securities and Exchange Commission Code of Corporate Governance.

After having conducted the nomination for purposes of the election of Directors and after pre-screening the qualifications of the nominees, the Nominations Committee has submitted the following list of candidates who qualify for election to the Board of PHINMA Corporation at the forthcoming Annual Shareholders Meeting on April 23, 2024:

1. Oscar J. Hilado
2. Magdaleno B. Albarracin, Jr.
3. Victor J. del Rosario
4. Ramon R. del Rosario, Jr.
5. Amb. Jose L. Cuisia, Jr.
6. Eduardo A. Sahagun
7. Meliton B. Salazar, Jr.
8. Guillermo D. Luchangco
9. Juan B. Santos *(Independent)*
10. Lilia de Lima (*Independent)*
11. Rizalina G. Mantaring *(Independent)*
12. Edgar O. Chua *(Independent)*
13. Dato Timothy Ong (*Independent*)
14. Edilberto C. de Jesus (*Independent*)
15. Cielito F. Habito (*Independent*)

The foregoing persons were nominated by Mr. Ramon R. del Rosario,Jr. He is not related to any of the director-nominees, either by consanguinity or affinity, except to Mr. Victor J. del Rosario who is his brother.

Mr. Luchangco, Mr. Ong, Mr. de Jesus and Mr. Habito are the new nominees to fill up the four additional board seats of the Company. Below are their profiles:

1. GUILLERMO D. LUCHANGCO, 83 years old, Filipino
Nominee for Non-Executive Director

Chairman, Investment & Capital Corporation of the Philippines (ICCP) 1987 – Present
Director, Ionics, Inc. 1991 – Present
Chairman and Chief Executive Officer, ICCP Group 1988 – Present
Chairman, ICCP Ventures 1989 - Present
Independent Director PHINMA, Inc., 2021 – Present
Independent Director PHINMA Corporation 2005 - 2021
Independent Director PHINMA Energy Corporation 2013 – 2019
Independent Director Roxas & Co., Inc. 2009 – 2021
Co-Chairman, Philippines-Singapore Business Council
Chairman, Ways and Means Committee Philippines-British Business Council
Chairman, Committee on Trade and Investments Philippines-US Business Council
Former Managing Director and Regional Coordinator for management services – SGV & Company
Former Executive Director – SGV Goh Pte Ltd Singapore
Master of Business Administration – Harvard Business School
BS Chemical Engineering – De La Salle University

2. DATO TIMOTHY ONG TECK MONG, 70 years old, Bruneian
Nominee for Independent Director

Non-Executive Independent Director, YOMA Strategic Holdings Ltd. 2016 – present
Independent Director, PHINMA, Inc. 2016 – present
Independent Director, PHINMA Education Holdings, Inc. 2016 – present
Board Member, Baiduri Finance 2006 – present
Chairman, Asia Inc. Forum 2003 – present
Board Member, Baduri Bank 1994 – present
Board Member, National Insurance Co. 1985 - present
Governor, Asian Institute of Management (AIM)
Trustee, Ramon Magsaysay Awards Foundation (RMAF)
Master of Science International Relations - London School of Economics
BA Economics and Political Science - Australian National University

3. DR. EDILBERTO C. DE JESUS, 84 years old, Filipino
Nominee for Independent Director

Independent Director, PHINMA, Inc. 2009 – present
Lead Independent Trustee, Far Eastern University, Inc. 2012 – 2022
Director, Centro Escolar University 2006 – 2008
Chairman, Institute of Environmental Sciences for Social Change 2000 - 2002
Trustee, Coordinating Council for Private Educational Associations 1996 - 2002
Former Secretary Department of Education
Former President, Asian Institute of Management
Former President, University of the Cordilleras
Former President, Far Eastern University
Former Secretariat Director, Southeast Asia Ministers of Education Organization in Bangkok
Former Board of Advisers, Philippine Business for Education
Master of Philosophy and Ph.D. in History - Yale University
BA Honors Degree in the Humanities - Ateneo de Manila University

4. DR. CIELITO F. HABITO, 70 years old, Filipino
Nominee for Independent Director

Independent Director, First Gen Corporation 2016 – present
Independent Director, Sun Life Prosperity Funds 2019 - present
Member Board of Governors, Economic Research Institute for ASEAN and East Asia 2021 - present
Member Board of Governors, Management Association of the Philippines 2022 – present
Member Board of Trustees, Ramon Magsaysay Awards Foundation 2018 – present
Member, Advisory Committee, Japan International Cooperation Agency 2013 – present
Professor, Ateneo de Manila University, Department of Economics 2001 – present
Former Secretary of Socioeconomic Planning and Director-General of NEDA
Professor of Economics, Ateneo de Manila University
Head, USAID TRADE Project
Ph.D. in Economics, Harvard University
Master of Arts, Harvard University
Master of Economics, University of New England Australia
Bachelor of Science in Agriculture, UP Los Banos

The abovementioned nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The securities owned by the nominees as of January 31, 2024 are as follows:

Title of Class	Name of Beneficial Owner	Citizenship	No. of shares	Nature	% of ownership
Common	Oscar J. Hilado	Filipino	400,000 1,007,776 800,000	Direct Indirect Indirect	.140% .352% .279%
Common	Magdaleno B. Albarracin, Jr.	Filipino	11,300,000	Direct	3.947%
Common	Victor J. del Rosario	Filipino	1,069,245 789,138 1,059,998	Direct Indirect Indirect	.373% .276% .370%
Common	Ramon R. del Rosario, Jr.	Filipino	432,661 9,855,424 789,139 250,000	Direct Indirect Indirect Indirect	.151% 3.442% .276% .087%
Common	Jose L. Cuisia, Jr.	Filipino	17,927	Direct	.006%

Common	Meliton B. Salazar Jr.	Filipino	1 20,270	Direct Indirect	.000% .007%
Common	Eduardo A. Sahagun	Filipino	1	Direct	.000%
Common	Juan B. Santos	Filipino	50,001	Direct	.017%
Common	Lilia de Lima	Filipino	1	Direct	.000%
Common	Rizalina G. Mantaring	Filipino	1	Direct	.000%
Common	Edgar O. Chua	Filipino	1	Direct	.000%

The Board of Directors has no reason to believe that any of the nominees will be unwilling or unable to serve if re-elected/elected as a director.

The Company's Nominations Committee is composed of the following:

Edgar O. Chua	-	Chairman
Oscar J. Hilado	-	Member
Ramon R. del Rosario, Jr.	-	Member
Jose L. Cuisia, Jr.	-	Member

i) ***<u>Independent Directors</u>***

On June 30, 2004, the SEC approved amendment to the Amended By-Laws of PHINMA Corporation to incorporate a provision stating that it shall conform to the requirement of law to have independent directors. On May 27, 2010, the SEC approved a further amendment to the Amended By-laws adopting and stating that the Company shall comply with Securities Regulation Code (SRC) Rule 38 as amended and all rules and regulations relative to the requirements on nomination and election of independent directors.

The following are the nominees for independent directors, as submitted to and pre-screened by the Nominations Committee of the Company using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance and its Amended By-Laws. They are neither officers nor substantial shareholders of the Company. Mr. Ramon R. del Rosario, Jr. nominated the candidates for independent directors. Mr. Del Rosario is not related to the independent director-nominees by consanguinity or affinity.

1. Juan B. Santos
2. Lilia de Lima
3. Rizalina G. Mantaring
4. Edgar O. Chua
5. Dato Timothy Ong
6. Edilberto C. de Jesus
7. Cielito F. Habito

All the independent directors possess the qualifications and none of the disqualifications under Securities Regulation Code or the Company's Manual of Corporate Governance.

ITEM 6. Compensation of Directors and Executive Officers

The Directors are paid a bonus based on the net income of the Company for each calendar year. The compensation received by the officers who are not included in the Board of Directors of the Company represents salaries and bonuses.

For the calendar years ended December 2023 and 2022, the total salaries, allowances and bonuses paid by the Company to the directors and executive officers as well as estimated compensation of directors and executive officers for CY 2024 are as follows:

TABLE 5 - Compensation of Directors and Executive Officers

Name and Principal Position	Year	Salary	Bonus	Others
CEO and the Top 4				
Oscar J. Hilado Chairman Emeritus				
Ramon R. del Rosario, Jr. Chairman and CEO				
Meliton B. Salazar, Jr. President and COO, Head of Education				
Pythagoras L. Brion, Jr. Group CFO				
Regina B. Alvarez Senior Vice President, Group Controller				
TOTAL	2024* 2023 2022	27,718,664 25,198,785 20,296,660	12,223,284 10,250,700 14,586,400	1,525,000 1,525,000 2,193,813
All other Directors and Officers as a Group unnamed	2024* 2023 2022	25,010,552 22,736,865 21,646,908	15,572,223 14,224,850 17,690,695	5,025,000 5,025,000 4,125,000

**Estimated compensation of directors and executive officers for the year.*

a) <u>Compensation of Directors</u>

The Directors receive per diem and bonus based on a percentage of the net income of the Company for each calendar year.

There are no other existing arrangements/agreements to which said Directors are to be compensated during the last completed calendar year and the ensuing year.

b) <u>Employment Contracts and Termination of Employment and Change-in Control Arrangements</u>

There is no existing contract between the Company, the executive officers or any significant employee.

Under Article VI, Section 1 of the Company's By-Laws, the Officers of the Corporation shall hold office for one (1) year and until their successors are chosen and qualified in their stead. Any Officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

c) <u>Compensatory Plan or Arrangement</u>

The compensation received by Officers who are not members of the Board of Directors of the Company represents salaries, bonuses and other benefits.

All permanent and regular employees of the Company and its subsidiaries are covered by PHINMA Group retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age sixty (60), early retirement beginning at age fifty (50) with completion of at least ten (10) years of service, voluntary separation beginning upon completion of at least ten (10) years of service, total and physical disability, death and involuntary separation. The benefits are based on the employee's final monthly basic salary and length of service.

The Company also provides a defined contribution plan that covers all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries.

d) <u>Compensation Committee</u>

The members of the Compensation Committee are as follow:

Edgar O. Chua	-	Chairman
Oscar J. Hilado	-	Member
Ramon R. del Rosario, Jr.	-	Member
Jose L. Cuisia, Jr.	-	Member

ITEM 7. Appointment of External Auditors

Audit services of SGV for the calendar year ended December 31, 2023 included the examination of the parent and consolidated financial statements of the Company, review of final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission and Philippine Stock Exchange, Inc.

During the past eight (8) years, there has been no event in which PHINMA Corporation and SGV has any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company is in compliance with SRC Rule 68, paragraph 3(b) (ix) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years and the mandatory two-year cooling-off period for the re- engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for Calendar Year 2023 is Ms. Belinda T. Beng Hui, a SEC accredited auditing partner of SGV. This is the fifth year of Ms. Beng Hui as audit partner of the company.

The Audit Committee, the Board of Directors and the stockholders of PHINMA Corporation approved the engagement of SGV as the Company's external auditor for CY 2023.
The members of the Audit and Related Party Transactions Committee are the following:

Juan B. Santos	-	Chairman
Rizalina G. Mantaring	-	Member
Edgar O. Chua	-	Member
Jose L. Cuisia Jr.	-	Member

The external auditors for the most recently completed calendar year are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

On August 8, 2023, Isla Lipana & Co./PwC Philippines, was endorsed by the Audit Committee to the Board as the new auditing firm of the Company for calendar year 2024. The Board, in turn, approved the endorsement and appointment, and will nominate the appointment of the said auditing firm by the stockholders at the scheduled Annual Meeting of Stockholders.

External Audit Fees and Related Services

<u>Audit and Audit-Related Fees</u>

The Company paid or accrued the following fees for professional services rendered by SGV and Co. for the past two (2) years:

Year	Audit Fees	Tax Fees	All Other Fees
2023	3,125,000	-	4,200,765
2022	3,400,000	-	-

The above audit fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for CY 2023 and 2022.

Tax Fees - The Company did not engage SGV & Co. for tax advisory services for the years ended December 31, 2023 and 2022, thus fees amounting to nil, respectively.

All Other Fees in CY2023 represent various SGV engagements like valuation of options, IT security risk assessment and training of directors and officers on Data Analytics and Artificial Intelligence.

The Audit Committee discusses with the external auditor before the audit commences, the nature and scope of the audit. The Committee also approves audit plans, audit fees, scope and frequency before the conduct of the external audit. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and ensuring that there is no conflict with the audit work and in relation to the Company's total expenditure on consultancy.

ITEM 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

ITEM 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for stockholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of PHN's securities, or the issuance of one class of PHN's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Company's financial statements for the year ended December 31, 2023 and Management's Discussion and Analysis or Plan of Operation are will be attached hereto as **Annexes "C" and "D"** respectively in the Definitive Information Statement.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE ANNUAL REPORT ON SEC FORM 17-A, FREE OF CHARGE. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO THE CORPORATE SECRETARY, 7TH FLOOR, PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY 1210.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

On July 17, 2023, the Parent Company and PHINMA, Inc., executed a Deed of Sale for the purchase of investments of PHINMA, Inc. in the following Companies:

Company	Description	PHINMA, Inc.'s Direct Ownership	Transaction Value (₱ in millions)
PEHI	Holding company of the Company's investment in schools	8.03%	₱1,064.8
PPHC	Holding company of the Company's property development arm	36.71%	588.9
PHI	Management company of the Company's Microtel and TRYP hotels; part-owner in 7 hotels	63.77%	251.2
PHINMA Microtel	Master franchisor of Microtel and TRYP hotels in the Philippines	51.00%	21.2
APHI	Owner of real estate properties	63.47%	409.4
Total			**₱2,335.5**

The Parent Company and all the entities above are subsidiaries of PHINMA, Inc. before and after the business combination. Thus, the acquisition was accounted for as business combination under common control for which pooling of interests method was applied in the preparation of the consolidated financial statements. The assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. Financial information for periods prior to the date of business combination was not restated.

ITEM 13. Acquisition of Disposition of Property

On July 17, 2023, the Company completed the purchase of real estate properties from PHINMA, Inc. amounting to ₱507.1 million consisting of office floors in the Company's office building, PHINMA Plaza located in Rockwell Center, Makati City. The purchase amount was based on the appraisal of an independent appraiser whose services were obtained to determine the fair value of the property. In valuing the property, the appraiser used the Market Approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings have also been considered.

Other than the transaction above, the Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

ITEM 14. Restatement of Accounts

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of PHN's assets, capital or surplus account.

D. ***OTHER MATTERS***

ITEM 15. Actions with Respect to Reports

At the last Annual Stockholders Meeting held on April 11, 2023, the Chairman and CEO and the President reported to the stockholders the Company and its subsidiaries operational performance in 2022 while the Group CFO reported on the Company's financial performance. The following matters were presented and approved by the stockholders at such meeting:

a) Minutes of the 2022 Annual Stockholders Meeting;
b) Calendar Year 2022 Audited Financial Statements;
c) Ratification of all resolutions of the Board of Directors and acts of Management in 2022 done in the ordinary course of the Company's business;
d) Election of eleven (11) Directors, including four (4) independent Directors for 2023;
e) Amendment of Articles of Incorporation and By-Laws;
f) Appointment of SGV & Co. as independent external auditor.

For the Annual Stockholders Meeting scheduled on April 23, 2024, the Chairman and CEO and the President will report on the operational performance of the Company and its subsidiaries in 2023 while the Group CFO will report on the financial performance. The following matters will also be presented for consideration by the stockholders at such meeting:

a) Minutes of the Previous Meeting **(Annex E)** ;
b) 2023 Audited Financial Statements **(Annex C**);
c) Ratification of all acts of the Board of Directors, Committees and Management in 2023 done in the ordinary course of the Company's business (**Annex F)**;
d) Election of fifteen (15) Directors, including seven (7) independent Directors for 2024 ;
e) Renewal of Management Contract;
f) Appointment of External Auditors

The approval of the Minutes of the previous Annual Shareholders Meeting, the approval of Annual Report of Management including the Audited Financial Statements for the year ended December 31, 2023, the ratification of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting, the approval for the renewal of management contract and the approval of the appointment of the Company's external auditor shall require the affirmative vote or written assent of a majority of the stockholders entitled to vote during the Annual Shareholders Meeting.

ITEM 16. Matters Not Required To Be Submitted

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

ITEM 17. Amendment of Charter, By-Laws or Other Documents

There is no action to be taken with respect to amendment of charter, by-laws or other documents.

ITEM 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

ITEM 19. Voting Procedures

For the election of Directors, each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled and may cumulate his/her votes by giving as many votes as he/she wants to any candidate provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that to which he/she is entitled to vote, the Corporate Secretary in his discretion shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances. There are fifteen (15) seats on the Board of Directors to be filled.

In the event that only fifteen (15) are nominated to fill the fifteen (15) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who wish to have their votes differently.

All the items in the agenda for approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of those present at the meeting, except the election of Directors which will be based on the number votes cast by each stockholder present at the meeting, in person or through a proxy. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

Votes of all stockholders attending by remote communication may only be cast through proxies or ballots/proxies submitted on or before April 17, 2024. A sample of the Ballot and Ballot/ Proxy will be included in the Information Statement.

All Ballots and Ballots/Proxies should be received by the Corporate Secretary on or before April 17, 2024 physically or by email to phncorpsec@phinma.com.ph.

The votes received will be tabulated and validated by an independent third party. The Corporate Secretary shall report the results of voting during the meeting.

Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant and of general concern to them on or before April 17, 2024. These will be answered during the meeting, subject to appropriateness, relevance and time limits, or via email to the stockholder sending the said questions.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 25, 2024.

PHINMA CORPORATION
Issuer

TROY A. LUNA
Corporate Secretary

NOTICE: The Company will post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the 2023 consolidated audited financial statements of the Company, on the company website www.phinma.com.ph upon its approval by the Securities and Exchange Commission.

PHINMA
Making Lives Better

PHINMA Corporation

March 8, 2024

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay 1307

Attention : **DIRECTOR OLIVER O. LEONARDO**
Markets and Securities Regulation Department

RE : **PHINMA CORPORATION**

Gentlemen :

This is to certify that, to the best of my knowledge as Corporate Secretary of PHINMA Corporation, none of the present Directors and officers and nominees for election as Directors of PHINMA Corporation at the scheduled Annual Meeting of Stockholders on 23 April 2024, are connected with any government agency or instrumentality that requires written permission for the head of said agency or instrumentality under the Civil Service Law, rules and regulations, as amended.

Very truly yours,

TROY A. LUNA
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDILBERTO C. DE JESUS**, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN).**

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

Company / Organization	Position / Relationship	Period of Service
PHINMA, Inc.	Independent Director	2009 - Present
Far Eastern University, Inc.	Lead Independent Trustee	2012 - 2022
Centro Escolar University	Director	2006 - 2008
Institute of Environmental Sciences for Social Change	Chairman	2000 - 2002
Coordinating Council for Private Educational Associations	Trustee	1996-2002

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

4. I am not related to any director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable):

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the _*(head of the agency/department)*_ to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. - ***Not applicable***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 0 8 2024 day of ________, at Makati City.

[redacted]

EDILBERTO C. DE JESUS

Affiant

SUBSCRIBED AND SWORN to before me this MAR 0 8 2024 day of ________ at Makati City affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted]

Doc. No. 961;
Page No. 94;
Book No. 56;
Series of 2024;

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VIII No. 0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR No. [illegible] Jan. 2, 2024/ Makati City
[illegible] Jan. 2, 2024/ Pasig City
[illegible] Bataan St., Guadalupe Nuevo, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CIELITO F. HABITO**, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN).**

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

Company / Organization	Position / Relationship	Period of Service
First Gen Corporation	Independent Director	May 2016 - Present
Ateneo de Manila University, Department of Economics	Professor	2001 – Present
Management Association of the Philippines	Member, Board of Governors	2022 – Present
Economic Research Institute for ASEAN and East Asia (ERIA)	Chairman, Board of Governors	2021 – Present
Sun Life Prosperity Funds	Independent Director	2019 – Present
Ramon Magsaysay Awards Foundation	Member, Board of Trustees	2018 – Present
Asian Institute of Management's TeaM Energy Center for Bridging Leadership	Chairman, Board of Advisers	2013 – Present
Japan International Cooperation Agency – Philippines	Member, Advisory Committee	2013 – Present
Operation Compassion Philippines, Inc.	Chairman, Board of Trustees	2006 – Present
Brain Trust: Knowledge and Options for Sustainable Development Inc.	Chairman	2004 – Present
Philippine Daily Inquirer	Op-Ed Columnist (*"No Free Lunch"*)	2003 – Present
Learning Community Organizations of PEACE (formerly Life Learning Organization of PEACE, CAHBRIBA Foundation)	Chairman, Board of Directors	1999 – Present
Ramos Peace and Development Foundation, Inc. (RPDEV)	Founding Board Member (Trustee)	1998 - Present

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

4. I am not related to any director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable):

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the _*(head of the agency/department)*_ to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 08 2024 day of ________, at Makati City.

[redacted]

CIELITO F. HABITO

Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2024 day of ________ at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted].

Doc. No. 457;
Page No. 93;
Book No. 56;
Series of 2024;

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VIII No. 0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR No. 10073[illegible]/ Jan. 2, 2024/ Makati City
IBP No. 3307[illegible]/ Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDGAR O. CHUA**, Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 14, 2021.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Integrated Micro-Electronics, Inc.	Lead Independent Director	2014 - Present
Metropolitan Bank and Trust Company	Independent Director	2017 - Present
First Gen Corporation	Independent Director	2021 - Present
Philcement Corporation	Independent Director	2022 - Present
Philippine Business for the Environment	Chairman	Current
Philippine Eagle Foundation	Chairman	Current
De La Salle Philippines	Chairman	Current
De la Salle Science Foundation	Chairman	Current
College of Saint Benilde	Chairman	Current
De La Salle Bacolod	Chairman	Current
De La Salle Greenhills	Trustee	Current
De La Salle National Mission Council	Trustee	Current
Integrity Initiative	Trustee	Current
Philippine Business for Education	Trustee/Treasurer	Current
Gawad Kalinga Community Development Foundation, Inc.	Trustee	Current
Zuellig Family Foundation	Trustee	Current
Pilipinas Shell Foundation, Inc.	Trustee	Current
Alvarez Foundation Philippines	Trustee	Current
The English Speaking Union of the Philippines, Inc.	Chairman	Current
Philippine Disaster Relief Foundation	Trustee	Current
National Resilience Council	Co-Vice Chairman	Current
Makati Business Club	Chairman	Current
Employers Confederation of the Philippines	Governor	Current
Mitsubishi Motors Phil. Corp.	Board Advisor	Current
Coca-Cola FEMSA	Board Advisor	Current

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

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. ***Not applicable***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 0 8 2024 day of ________, at Makati City.

EDGAR O. CHUA
[redacted]
Affiant

SUBSCRIBED AND SWORN to before me this MAR 0 8 2024 day of ________ at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted]

Doc. No. 458;
Page No. 93;
Book No. 56;
Series of 2024;

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VIII No. 0001393
Jan. 3, 202[illegible] until Apr. 12, 2028
PTR No. [illegible] Jan. 2, 2024/ Makati City
IBP No. [illegible] Jan. 2, 2024/ Pasig City
[illegible] Bataan St., Guadalupe Nuevo, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DATO TIMOTHY ONG**, Bruneian, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN).**

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

Company / Organization	Position / Relationship	Period of Service
PHINMA, Inc.	Independent Director	2016 - Present
PHINMA Education Holdings, Inc.	Independent Director	2016 - Present
Asia Inc. Forum	Chairman	2003 - Present
Baduri Bank	Board Member	1994 – Present
Baiduri Finance	Board Member	2006 – Present
National Insurance Co.	Board Member	1985 - Present
YOMA Strategic Holdings Ltd	Non-Executive Independent Director	2016 - Present

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

4. I am not related to any director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable):

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 0 8 2024 day of __________, at Makati City.

[redacted]

DATO TIMOTHY ONG

Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAR 0 8 2024 at Makati City affiant personally appeared before me and exhibited to me his National Identification No. [redacted]

Doc. No. 457;
Page No. 93;
Book No. 56;
Series of 2024;

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VIII No. 0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR No. 10073[illegible]/ Jan. 2, 2024/ Makati City
IBP No. 3307[illegible]/ Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LILIA B. DE LIMA**, Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 19, 2018.

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

Company / Organization	Position / Relationship	Period of Service
Ionics, Inc.	Independent Director	August 8, 2017 - Present
Dusit Thani Philippines	Independent Director	October 24, 2018 – Present
FWD Insurance Philippines	Independent Director	June 21, 2018 - Present
Science Park of the Philippines	Independent Director	2017 - Present
RFM Science Park of the Philippines	Independent Director	2017 - Present
Ionics EMS	Independent Director	August 8, 2017 - Present
RCBC Trust Corporation	Non-Executive Director	2023 - Present
Fatima Center for Human Development	Director/Trustee	2007 - Present
Pueblo de Oro Development Corporation	Independent Director	June 2020 - Present
Regatta Properties Inc.	Independent Director	June 2020 - Present
Cadence Property Development	Independent Director	2023 - Present
Rizal Commercial Banking Corporation	Senior Adviser to the Board	August 1, 2023 - Present
AC Industrials	Advisory Board	June 1, 2020 - Present

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

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent Director in **PHINMA Corporation**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable.***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 08 2024 day of __________, at Makati City.

[redacted]

LILIA B. DE LIMA

Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2024 day of __________ at Makati City, affiant personally appeared before me and exhibited to me her Tax Identification No. [redacted]

Doc. No. 456;
Page No. 93;
Book No. 56;
Series of 2024;

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VIII No. 0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR No. 10073[illegible] / Jan. 2, 2024/ Makati City
IBP No. 330[illegible] / Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, JUAN B. SANTOS, Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 19, 2018.

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

Company / Organization	Position / Relationship	Period of Service
Rizal Commercial Banking Corporation	Independent Director	November 2016 – Present
House of Investments, Inc.	Lead Independent Director	October 2014 - Present
Sun Life Grepa Financial, Inc. (Formerly Grepalife Financial, Inc.)	Director	October 2006 - Present
Allamanda Management Corp.	Director	January 2000 – Present
Mitsubishi Motors Phils. Corp.	Member, Advisory Board	January 2016 - Present
East-West Seeds Corporation	Member, Advisory Board	2008 – Present
St. Luke's Medical Center	Trustee	August 2005 - Present
Marsman-Drysdale Group of Companies	Consultant	September 2007 - Present

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

4. I am not related to any director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable):

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent

Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. - ***Not applicable***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 0 8 2024 day of ________, at Makati City.

[redacted]

JUAN B. SANTOS

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of Makati City at MAR 0 8 2024, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted]

Doc. No. 45;
Page No. 92;
Book No. 16;
Series of 2024;

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorney No. 77376
MCLE Compliance VII No. 0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR No. 10073695/ Jan. 2, 2024/ Makati City
IBP No. 35017 etc/ Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RIZALINA G. MANTARING** , Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 12, 2019.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sun Life Grepa Financial, Inc.	Director	2012 – Present
Ayala Corporation, Inc.	Lead Independent Director	2020 - Present
First Philippine Holdings, Inc.	Lead Independent Director	2016 - Present
Universal Robina Corporation, Inc.	Independent Director	2020 - Present
Bank of the Philippine Islands	Lead Independent Director	2023 - Present
BPI Asset Management & Trust Company (BPI Wealth)	Independent Director	2023 - Present
East Asia Computer Center, Inc.	Independent Director	2018 - Present
GoTYME Bank, Inc.	Independent Director	2022 - Present
Maxicare Healthcare Corporation, Inc.	Independent Director	2022 - Present
Makati Business Club	Trustee/Treasurer	2017 - Present
Philippine Business for Education	Trustee	2018 - Present

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

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the _*(head of the agency/department)*_ to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. - ***Not applicable.***

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

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 0 8 2024 day of ______, at Makati City.

[redacted]

RIZALINA G. MANTARING
Affiant

SUBSCRIBED AND SWORN to before me this MAR 0 8 2024 day of ______ at Makati City affiant personally appeared before me and exhibited to me her Tax Identification No. [redacted]

Doc. No. 460;
Page No. 93;
Book No. 56;
Series of 2024

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll of Attorneys No. 77375
MCLE Compliance ... No. 0001393
Jan. 3, 2... Apr. 12, 2028
PTR No. ... 2, 2024/ Makati City
IBP No. ... 2, 2024/ ... City
1107 Bataan St., Guadalupe Nuevo, Makati City

ANNEX **B**

Compliance Program

Annex A

COMPLIANCE PROGRAM

Compliance Policy

In accordance with the State’s policy to actively promote corporate governance reforms aimed to raise investor confidence, develop capital market and help achieve high sustained growth for the corporate sector and the economy, the Board of Directors, Management, and Employees of PHINMA Corporation (the “Corporation”) commit to the principles and best practices contained in the Manual on Good Corporate Governance approved in August 2002 and as amended in March 2004, February 2008, March 2011 and June 2014. The Manual was further amended to substantially adopt the 2016 Code of Corporate Governance for Publicly-Listed Companies in May 2017 and March 2018. Relevant provisions from the 2019 Revised Corporation Code of the Philippines (R.A. 11232) were incorporated into the Manual in October 2020 and in November 2022.

Integrated Annual Corporate Governance Report (I-ACGR)

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR) covering all relevant information for the year on May 30 of each year.

PHINMA Corporation submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) its I-ACGR for 2022 on May 29, 2023.

As of December 31, 2023 PHINMA Corporation has substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee for non-compliance with the Manual.

Compliance Monitoring and Improving Corporate Governance

The Compliance Officer and the Internal Auditor monitor the Corporation’s compliance with the Manual and the timely submission of reports and disclosures to SEC, PSE and PDEx. In addition, the SEC, PSE and PDEx websites are constantly monitored for relevant circulars or memorandums affecting, improving, and updating the corporate governance of the Corporation. As appropriate, the Manual and relevant policies are promptly amended and circulated for implementation. Directors and officers of the company are provided with annual training on corporate governance and related topics such as Sustainability and Artificial Intelligence.

As a result of the Compliance Program, there is effective management of the relationships between shareholders, stakeholders, directors, creditors, government, and employees. Furthermore, the internal workings of the Corporation are directed and controlled leading to corporate integrity, transparency, and enhanced corporate performance, a dominant theme of Good Corporate Governance.

In 2023, PHINMA Corporation received a Two-Arrow Recognition based on the result of the ASEAN Corporate Governance Scorecard (ACGS) for year 2020 and 2021. The Golden Arrow is awarded to publicly-listed companies that exhibited observable conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as espoused by the ACGS.

Board of Directors Attendance

In 2023, the Board of Directors held a total of five (5) meetings, four (4) regular board and one (1) organizational meeting. The attendance of the directors in the Board meetings is as follows:

Directors	2023 Board Meetings				
	Mar 3 Regular	April 11 Organiza-tional	May 11 Regular	Aug 8 Regular	Nov 10 Regular
OSCAR J. HILADO	P	P	P	P	P
RAMON R. DEL ROSARIO, JR.	P	P	P	P	P
MAGDALENO B. ALBARRACIN, JR.	P	P	P	P	P
JOSE L. CUISIA, JR.	P	P	P	P	P
VICTOR J. DEL ROSARIO	P	P	P	P	P
MELITON B. SALAZAR, JR.	P	P	P	P	P
EDUARDO A. SAHAGUN	P	P	A	P	P
JUAN B. SANTOS	P	P	P	P	P
LILIA B. DE LIMA	P	P	P	P	P
RIZALINA G. MANTARING	P	P	P	P	P
EDGAR O. CHUA	P	P	P	P	P

P : Present A : Absent

To assist it in discharging its duties and responsibilities, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures. The attendance of directors to meetings of the committees in 2023 is as follows:

Directors	Corporate Governance	Risk Oversight	Audit and RPT
MAGDALENO B. ALBARRACIN, JR.	-	2/2 Member	-
JOSE L. CUISIA, JR.	-	-	6/7 Member
EDGAR O. CHUA (Independent Director)	3/3 Member	2/2 Member	6/7 Member
JUAN B. SANTOS (Independent Director)	-	-	6/7 Chairperson
LILIA B. DE LIMA (Independent Director)	3/3 Chairperson	2/2 Member	-
RIZALINA G. MANTARING (Independent Director)	3/3 Member	2/2 Chairperson	7/7 Member

Board Performance Assessment Policy and Report

The Board of Directors of PHINMA Corporation obtained an overall rating of Excellent for their performance in the year 2023. All (11) eleven directors of the company participated in the online assessment exercise completed in February 2023. The results of the board evaluation and action plans were presented to the Corporate Governance Committee and to the Board of Directors in March 2024.

The Board Assessment Policy and Procedures prescribe a self-assessment process that uses a five-point rating scale (1-Excellent to 5-Poor) to evaluate the performance of the Board as a body, the Board Committees, individual directors, Chairman of the Board and Key Officers. The criteria used in this assessment covered the key areas of governance, based on the duties and responsibilities listed in the Manual on Corporate Governance, Board Charter, and other relevant company policies.

This exercise also enabled the directors to provide insights and recommendations to address continuing training needs and pursue further improvements in board performance.

ANNEX C

Audited Consolidated Financial Statements Calendar Year 2023

PHINMA
Making Lives Better

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **PHINMA CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the Stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

Signed this 14th day of March 2024.

RAMON R. DEL ROSARIO, JR.
Chairman of the Board and Chief Executive Officer

MELITON B. SALAZAR, JR.
President and COO, Head of Education

PYTHAGORAS L. BRION, JR.
Group CFO

12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City, Philippines 1210

Tel: +632 8870 0100
Fax: +632 8870 0456
www.phinma.com.ph

SUBSCRIBED AND SWORN to before me this 14 day of March 2024 in Makati City, affiants exhibiting to me their respective identifications, as follows:

Name	ID Presented	Date of Issue	Place of Issue
Ramon R. del Rosario, Jr.	Passport No. [redacted]	26-Jan-2018 25-Jan-2028	DFA NCR East
Meliton B. Salazar, Jr.	Passport No. [redacted]	09-May-2019 08-May-2029	DFA Antipolo
Pythagoras L. Brion, Jr.	OSCA No. [redacted]	03-March-2013	Pasig City

Doc No.: 268;
Page No.: 55;
Book No.: I;
Series of 2024

XANTHE DAPHNE VALERIE A. ALCASID
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-631 (2023-2024)
COMMISSION EXPIRES ON DECEMBER 31, 2024
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 10074720; Makati City, 1/2/2024
IBP O.R. No. 302563; Cebu City, 1/9/2024
TIN 328-230-909
Attorney's Roll No. 84417
Admitted to the Philippine Bar: 2 May 2023

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	2	3	9	7

C O M P A N Y   N A M E

P H I N M A   C O R P O R A T I O N   A N D   S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

1 2 T H   F L O O R ,   P H I N M A   P L A Z A ,   3 9   P L A Z A   D R I V E ,   R O C K W E L L   C E N T E R ,   M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	S E C	N A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
ciobci@phinma.com.ph	8870-0100	09178558312

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,214	April 23	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Annabelle S. Guzman	asguzman@phinma.com.ph	8870-0367	09178766377

CONTACT PERSON's ADDRESS

12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Opinion

We have audited the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Company as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2023 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2023, the Company's goodwill arising from its acquisitions of educational institutions amounted to ₱1,817.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, specifically revenue growth rate and discount rate.

The Company's disclosures about goodwill are included in Notes 5 and 18 to the consolidated financial statements.

Audit Response

We obtained an understanding of the management's process for evaluating the impairment of goodwill. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used, such as revenue growth against historical performance of the cash-generating unit, local economic development, industry outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of Unquoted Investment Classified as Financial Asset at Fair Value through Profit or Loss

The Company has unquoted equity investment classified as financial assets at fair value through profit or loss (FVPL) amounting to ₱1,916.2 million, comprising 4.4% of total assets as at December 31, 2023. The valuation of this investment is significant to our audit because it is inherently subjective as it involves the use of valuation inputs that are not market observable. Management also applied judgment in selecting the valuation technique and the assumptions to be used. These assumptions include discount rate, explicit forecast period, long-term growth rate, volatility, option-adjusted spread and risk-free rate.

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The Company's disclosures about its unquoted equity investment classified as financial assets at FVPL are included in Note 14 to the consolidated financial statements.

Audit Response

We involved our internal specialists in evaluating the valuation technique and assumptions used. For long-term growth rate, we compared it with the growth rate for the products, industries or relevant country gross domestic product growth rate. We compared the other key assumptions such as the explicit forecast period, volatility, option-adjusted spread and risk-free rate against the historical performance of the investee, industry outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investment.

Real Estate Revenue Recognition

The Company's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the input method as the measure of progress in determining real estate revenue; and (3) estimation of the total project cost.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, and age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Company uses input method. Under this method, progress is measured based on actual costs incurred relative to the estimated total project cost. In the estimation of total project costs, the Company's specialists (project engineers) to estimate all the inputs involved in the construction and development of the projects to include materials, labor and other costs directly related in the construction of the projects. The management uses the information from the project engineers to identify the appropriate inputs for their computation of the percentage of completion (POC) per project.

The disclosures related to the real estate revenue are included in Note 25 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as past due report, history of payments, notices of contract cancellation, letters of backout and notices of forfeiture.

For the application of the input method, in determining real estate revenue, we obtained an understanding of the Company's processes for determining the percentage of completion (POC), including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence, capabilities and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced the accumulated incurred costs to the supporting documents such as contractors' and suppliers' invoices and receipts. For the estimation of total project costs, we obtained an understanding of the Company's budgeting and project close-out process and, on a sampling basis, performed test of details (price and quantity) for the inputs for each of the major project development workstream. We also performed test of subsequent changes to the budget by tracing to relevant documents such as estimated development cost reports and signed and approved change order forms. For selected projects, we traced the accumulated incurred costs to the supporting analysis and documents such as schedule of actual and budgeted costs per project, certificate of completion project and purchase order forms. We visited selected ongoing and completed project sites in 2023, made relevant inquiries with project engineers and correlated our observations with the reported project accomplishment. We performed test computation of the POC calculation of management.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the 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.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

March 5, 2024

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 36 and 37)	**₱2,905,913**	₱3,421,578
Investments held for trading (Notes 10, 36 and 37)	**375,096**	654,316
Current portion of:		
Trade and other receivables (Notes 11, 36 and 37)	**8,513,789**	5,631,456
Contract assets (Note 25)	**3,105,830**	–
Inventories (Note 12)	**3,765,002**	2,376,008
Input value-added taxes and other current assets (Notes 19 and 36)	**1,871,411**	629,517
Total Current Assets	**20,537,041**	12,712,875
Noncurrent Assets		
Noncurrent portion of:		
Trade and other receivables (Notes 11, 36 and 37)	**331,719**	175,803
Contract assets (Note 25)	**516,752**	–
Investment in and advances to associates and joint ventures (Note 13)	**618,524**	1,412,637
Financial assets at fair value through profit or loss (FVPL) (Notes 14, 36 and 37)	**1,916,238**	2,209,088
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 15, 36 and 37)	**163,108**	122,959
Property, plant and equipment (Note 16)	**14,479,990**	11,582,387
Investment properties (Note 17)	**925,471**	627,291
Intangible assets (Note 18)	**1,951,480**	1,853,725
Right-of-use assets (Note 38)	**423,281**	315,031
Deferred tax assets - net (Note 34)	**164,807**	127,736
Derivative asset (Notes 14, 36 and 37)	**889,721**	648,117
Other noncurrent assets (Notes 19 and 36)	**560,824**	223,376
Total Noncurrent Assets	**22,941,915**	19,298,150
	₱43,478,956	₱32,011,025
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 20, 36 and 37)	**₱7,626,264**	₱2,779,103
Trade and other payables (Notes 21, 36 and 37)	**3,572,566**	2,150,350
Contract liabilities (Notes 22 and 25)	**1,809,423**	1,416,637
Trust receipts payable (Notes 12, 36 and 37)	**883,106**	128,249
Derivative liability (Notes 36 and 37)	–	371
Income and other taxes payable	**224,350**	49,151
Current portion of:		
Long-term debt (Notes 23, 36 and 37)	**3,799,341**	652,399
Lease liabilities (Notes 36, 37 and 38)	**128,510**	102,676
Due to related parties (Notes 33, 36 and 37)	**71,981**	155,595
Total Current Liabilities	**18,115,541**	7,434,531
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 23, 36 and 37)	**10,339,725**	10,282,347
Non-controlling interest put liability (Notes 7, 36 and 37)	**2,570,619**	2,188,320
Deferred tax liabilities - net (Note 34)	**696,455**	426,529
Pension and other post-employment benefits (Note 35)	**358,321**	275,600
Lease liabilities - net of current portion (Notes 36 and 38)	**396,007**	211,452
Other noncurrent liabilities	**301,918**	49,577
Total Noncurrent Liabilities	**14,663,045**	13,433,825
Total Liabilities	**32,778,586**	20,868,356

(Forward)

	December 31	
	2023	2022
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 24)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**396,845**	396,845
Treasury shares (Note 24)	**(57,909)**	(182)
Exchange differences on translation of foreign operations	**(773)**	(933)
Equity reserves (Note 7)	**(1,709,755)**	(299,535)
Other comprehensive income (Note 15)	**63,772**	50,920
Share in other comprehensive income of associates (Note 13)	**–**	9,809
Retained earnings (Note 24)	**6,132,003**	5,360,643
Equity Attributable to Equity Holders of the Parent	**7,687,495**	8,380,879
Non-controlling Interests	**3,012,875**	2,761,790
Total Equity	**10,700,370**	11,142,669
	₱43,478,956	₱32,011,025

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2023	2022	2021
REVENUES			
Revenue from contracts with customers (Note 25)	**₱20,840,789**	₱17,334,033	₱15,820,133
Investment income (Note 26)	**329,681**	260,901	148,380
Rental income (Note 17)	**103,348**	69,648	69,673
	21,273,818	17,664,582	16,038,186
COSTS AND EXPENSES			
Cost of sales (Note 27)	**11,678,169**	11,681,409	10,147,777
General and administrative expenses (Note 28)	**2,778,457**	2,030,826	1,680,114
Cost of educational, hospital and installation services (Note 27)	**2,053,833**	1,613,799	1,391,127
Cost of real estate sold and construction services (Note 12 and 27)	**984,290**	–	–
Selling expenses (Note 29)	**720,468**	534,525	563,568
Cost of hotel operations (Note 27)	**131,322**	–	–
Cost of management and administrative services (Note 27)	**83,875**	–	–
	18,430,414	15,860,559	13,782,586
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Note 32)	**(1,004,689)**	(688,190)	(649,248)
Unrealized gain (loss) on change in fair value of financial assets at FVPL (Note 14)	**(292,850)**	103,845	172,438
Net gains on derivatives (Notes 14 and 37)	**241,212**	142,596	56,324
Equity in net earnings (losses) of associates and joint ventures (Note 13)	**(81,596)**	58,014	32,940
Foreign exchange gains - net (Note 36)	**4,580**	89,500	56,237
Gain on sale of investment properties (Note 17)	**7,764**	–	–
Gain on sale of property, plant and equipment - net (Note 16)	**2,366**	489	214
Gain on bargain purchase (Note 6)	**–**	–	8,334
Others - net (Notes 25 and 38)	**70,341**	39,400	43,806
	(1,052,872)	(254,346)	(278,955)
INCOME BEFORE INCOME TAX	**1,790,532**	1,549,677	1,976,645
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 34)			
Current	**144,701**	59,642	70,883
Deferred	**19,228**	(39,146)	25,566
	163,929	20,496	96,449
NET INCOME	**₱1,626,603**	₱1,529,181	₱1,880,196
Attributable to:			
Equity holders of the Parent	**₱957,626**	₱947,677	₱1,128,965
Non-controlling interests	**668,977**	581,504	751,231
Net income	**₱1,626,603**	₱1,529,181	₱1,880,196
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 40)	**₱3.34**	₱3.42	₱4.15

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱1,626,603**	₱1,529,181	₱1,880,196
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Unrealized gain (loss) on change in fair value of financial assets at FVOCI (Note 15)	**32,542**	15,713	(1,365)
Re-measurement gain (loss) on defined benefit obligation (Note 35)	**(16,112)**	8,797	(3,865)
Share in unrealized gain (loss) on change in fair value of financial assets at FVOCI and defined benefit obligation of associates and joint venture (Note 13)	**(201)**	(1,729)	13,675
Income tax effect	**(6,409)**	(2,199)	196
	9,820	20,582	8,641
Item to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**208**	(439)	(1,261)
Total other comprehensive income	**10,028**	20,143	7,380
TOTAL COMPREHENSIVE INCOME	**₱1,636,631**	₱1,549,324	₱1,887,576
Attributable to:			
Equity holders of the Parent	**₱980,877**	₱964,965	₱1,141,246
Non-controlling interests	**655,754**	584,359	746,330
Total comprehensive income	**₱1,636,631**	₱1,549,324	₱1,887,576

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 24)	**Additional Paid-in Capital**	**Treasury Shares** (Note 24)	**Exchange Differences on Translation of Foreign Operations**	**Equity Reserves** (Note 7)	**Other Comprehensive Income** (Note 15)	**Share in Other Comprehensive Income of Associates and Joint Ventures** (Note 13)	**Retained Earnings** (Note 24) **Appropriated**	**Unappropriated**	**Subtotal**	**Non-controlling Interests**	**Total Equity**
Balance, January 1, 2023	**₱2,863,312**	**₱396,845**	**(₱182)**	**(₱933)**	**(₱299,535)**	**₱50,920**	**₱9,809**	**₱1,765,500**	**₱3,595,143**	**₱8,380,879**	**₱2,761,790**	**₱11,142,669**
Net income	–	–	–	–	–	–	–	–	**957,626**	**957,626**	**668,977**	**1,626,603**
Other comprehensive income (loss)	–	–	–	**160**	–	**27,370**	**(201)**	–	**(4,078)**	**23,251**	**(13,223)**	**10,028**
Total comprehensive income (loss)	–	–	–	**160**	–	**27,370**	**(201)**	–	**953,548**	**980,877**	**655,754**	**1,636,631**
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	**(171,795)**	**(171,795)**	**(301,564)**	**(473,359)**
Realized gain on sale of financial assets at FVOCI (Note 15)	–	–	–	–	–	**(238)**	–	–	**238**	–	–	–
Business combination (Note 6)	–	–	–	–	**(636,375)**	**(14,280)**	**(9,608)**	–	**(10,631)**	**(670,894)**	**573,887**	**(97,007)**
Dilution of equity shares (Note 7)	–	–	–	–	**(3,053)**	–	–	–	–	**(3,053)**	**(734)**	**(3,787)**
Acquisition of NCI (Note 7)	–	–	–	–	**(522,315)**	–	–	–	–	**(522,315)**	**(542,437)**	**(1,064,752)**
Put option over NCI (Note 7)	–	–	–	–	**(248,477)**	–	–	–	–	**(248,477)**	**(133,821)**	**(382,298)**
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	**(1,765,500)**	**1,765,500**	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	**1,600,000**	**(1,600,000)**	–	–	–
Parent company shares held by a subsidiary (Note 24)	–	–	**(57,727)**	–	–	–	–	–	–	**(57,727)**	–	**(57,727)**
Balance, December 31, 2023	**₱2,863,312**	**₱396,845**	**(₱57,909)**	**(₱773)**	**(₱1,709,755)**	**₱63,772**	**₱–**	**₱1,600,000**	**₱4,532,003**	**₱7,687,495**	**₱3,012,875**	**₱10,700,370**
Balance, January 1, 2022	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱81,446)	₱38,167	₱11,538	₱1,765,500	₱2,776,780	₱7,488,944	₱2,483,624	₱9,972,568
Net income	–	–	–	–	–	–	–	–	947,677	947,677	581,504	1,529,181
Other comprehensive income (loss)	–	–	–	(352)	–	13,153	(1,729)	–	6,216	17,288	2,855	20,143
Total comprehensive income (loss)	–	–	–	(352)	–	13,153	(1,729)	–	953,893	964,965	584,359	1,549,324
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(135,930)	(135,930)	(198,838)	(334,768)
Realized gain on sale of financial assets at FVOCI (Note 15)	–	–	–	–	–	(400)	–	–	400	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(218,089)	–	–	–	–	(218,089)	(107,355)	(325,444)
Sale of treasury shares	–	137,597	143,851	–	–	–	–	–	–	281,448	–	281,448
Buyback of shares (Note 24)	–	–	(459)	–	–	–	–	–	–	(459)	–	(459)
Balance, December 31, 2022	₱2,863,312	₱396,845	(₱182)	(₱933)	(₱299,535)	₱50,920	₱9,809	₱1,765,500	₱3,595,143	₱8,380,879	₱2,761,790	₱11,142,669

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 24)	Additional Paid-in Capital	Treasury Shares (Note 24)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 15)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 24) Appropriated	Retained Earnings (Note 24) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2021	₱2,863,312	₱259,248	(₱136,347)	₱297	₱34,694	₱38,922	(₱2,137)	₱2,415,500	₱1,106,503	₱6,579,992	₱1,973,422	₱8,553,414
Net income	–	–	–	–	–	–	–	–	1,128,965	1,128,965	751,231	1,880,196
Other comprehensive income (loss)	–	–	–	(878)	–	(755)	13,675	–	239	12,281	(4,901)	7,380
Total comprehensive income	–	–	–	(878)	–	(755)	13,675	–	1,129,204	1,141,246	746,330	1,887,576
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(108,927)	(108,927)	(132,304)	(241,231)
Business combination (Note 6)	–	–	–	–	3,629	–	–	–	–	3,629	53,429	57,058
Dilution of equity shares	–	–	–	–	14,038	–	–	–	–	14,038	(14,038)	–
Put option over NCI (Note 7)	–	–	–	–	(133,807)	–	–	–	–	(133,807)	(143,215)	(277,022)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(2,250,000)	2,250,000	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	1,600,000	(1,600,000)	–	–	–
Buyback of shares (Note 24)	–	–	(7,227)	–	–	–	–	–	–	(7,227)	–	(7,227)
Balance, December 31, 2021	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱81,446)	₱38,167	₱11,538	₱1,765,500	₱2,776,780	₱7,488,944	₱2,483,624	₱9,972,568

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,790,532**	₱1,549,677	₱1,976,645
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other financing charges (Note 32)	**1,004,689**	688,190	649,248
Depreciation and amortization (Note 31)	**786,056**	629,184	603,562
Interest income (Note 26)	**(314,349)**	(248,963)	(132,186)
Net gain on derivatives (Notes 14 and 37)	**(241,212)**	(142,596)	(56,324)
Unrealized loss (gain) on change in fair value of financial assets at FVPL (Note 14)	**292,850**	(103,845)	(172,438)
Pension and other employee benefits expense (Note 35)	**125,143**	103,368	79,732
Unrealized foreign exchange gain - net (Note 36)	**(4,580)**	(89,500)	(56,237)
Equity in net losses (earnings) of associates and joint ventures (Note 13)	**81,596**	(58,014)	(32,940)
Gain on investments held for trading - net (Note 10)	**(15,124)**	(11,737)	(15,970)
Gain on sale of investment properties (Note 17)	**(7,764)**	(32,592)	–
Gain on sale of property, plant and equipment (Note 16)	**(2,366)**	(489)	(214)
Dividend income (Note 26)	**(208)**	(201)	(224)
Loss (gain) on pre-termination of long-term leases (Note 38)	**225**	(5,621)	(849)
Gain on bargain purchase (Note 6)	–	–	(8,334)
Operating income before working capital changes	**3,495,488**	2,276,861	2,833,471
Decrease (increase) in:			
Trade and other receivables	**(1,978,796)**	(496,743)	(1,403,768)
Contract assets	**(1,092,158)**	–	–
Inventories	**205,160**	(401,954)	(366,073)
Input value-added taxes and other current assets	**(308,577)**	(274,586)	(53,590)
Increase (decrease) in:			
Trade and other payables	**(199,886)**	(91,297)	314,174
Trust receipts payable	**754,857**	(1,583,184)	(319,443)
Contract liabilities	**142,082**	89,495	717,868
Net cash provided by (used in) operations	**1,018,170**	(481,408)	1,722,639
Interest paid	**(912,060)**	(706,092)	(690,872)
Income tax paid	**(239,392)**	(86,107)	(53,146)
Contributions to the pension fund (Note 35)	**(101,679)**	(41,844)	(47,337)
Benefits paid from operating fund (Note 35)	**(11,016)**	(23,804)	(13,182)
Interest received	**212,618**	49,554	11,715
Net cash provided by (used in) operating activities	**(33,359)**	(1,289,701)	929,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment held for trading	**(68,000)**	(1,468,223)	(2,974,298)
Property, plant and equipment (Note 16)	**(2,432,584)**	(1,432,052)	(1,573,268)
Investment in and advances to associates and joint ventures (Note 13)	**(165,024)**	(109,266)	–
Intangible assets	**(32,391)**	(11,124)	(7,048)
Investment properties	**(241,193)**	(3,780)	–
Financial assets at FVPL	–	–	(1,932,805)
Derivative asset	–	–	(202,345)

(Forward)

	Years Ended December 31		
	2023	2022	2021
Proceeds from sale of:			
Investments held for trading	**₱507,416**	₱2,136,372	₱3,809,362
Investment properties	**19,928**	35,759	–
Property, plant and equipment (Note 16)	**10,761**	2,054	3,523
Financial assets at FVOCI	**250**	1,450	–
Decrease (increase) in other noncurrent assets	**195,737**	(58,065)	(124,404)
Payment of advances to associates and joint ventures (Note 13)	**5,000**	–	–
Dividends received (Note 13)	**208**	201	224
Acquisition of subsidiaries - net of cash acquired (Note 6)	**(983,362)**	–	(101,543)
Net cash used in investing activities	**(3,183,254)**	(906,674)	(3,102,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	**(7,158,495)**	(1,531,718)	(2,398,285)
Long-term debt	**(748,958)**	(1,048,952)	(918,091)
Cash dividends	**(405,795)**	(377,332)	(188,048)
Lease liabilities	**(111,449)**	(125,452)	(124,617)
Treasury shares	**–**	(459)	(7,227)
Proceeds from availments of:			
Notes payable	**9,029,800**	3,380,647	2,002,549
Long-term debt	**3,159,325**	1,280,000	4,524,477
Proceeds from sale of treasury shares	**–**	281,448	–
Increase (decrease) in due to related parties	**(85,767)**	(27,283)	31,768
Increase (decrease) in other noncurrent liabilities	**86,245**	1,640	(2,556)
Issuance of shares to non-controlling interests	**–**	–	3,629
Acquisition of non-controlling interests (Note 7)	**(1,068,538)**	–	–
Net cash provided by financing activities	**2,696,368**	1,832,539	2,923,599
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,580**	89,500	56,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(515,665)**	(274,336)	807,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,421,578**	3,695,914	2,888,863
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱2,905,913**	₱3,421,578	₱3,695,914

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

PHINMA Corporation (PHN or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 1957.

The Parent Company is listed in the Philippine Stock Exchange (PSE) since August 15, 1958.

On August 2, 2006, the Philippine SEC approved the extension of the Parent Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from Bacnotan Consolidated Industries, Inc. to PHINMA Corporation. Its principal activity is holding investments in shares in various subsidiaries, associates and investees and other financial instruments.

Following are the subsidiaries of the Parent Company and the nature of their principal business activities:

			December 31, 2023			December 31, 2022		
Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.01**	**–**	**98.01**	98.01	–	98.01
PHINMA Solar Energy Corporation (PHINMA Solar)	Solar rooftop	December 31	**–**	**100.00**	**98.01**	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) [a and d]	Holding company	March 31	**75.21**	**–**	**75.21**	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	Educational institution	March 31	**–**	**97.76**	**73.53**	–	97.57	65.55
Cagayan de Oro College, Inc. (COC) [a]	Educational institution	March 31	**–**	**91.27**	**68.64**	–	91.27	61.32
University of Iloilo (UI) [a]	Educational institution	March 31	**–**	**69.23**	**52.07**	–	69.23	46.51
University of Pangasinan (UPANG) and Subsidiary [a]	Educational institution	March 31	**–**	**69.33**	**52.14**	–	69.33	46.58
Southwestern University (SWU) [a]	Educational institution	March 31	**–**	**84.34**	**63.43**	–	84.34	56.66
St. Jude College, Inc. (SJCI) [a]	Educational institution	March 31	**–**	**98.30**	**73.93**	–	98.30	66.04
Republican College, Inc. (RCI)	Educational institution	December 31	**–**	**98.41**	**74.01**	–	98.41	66.11
Rizal College of Laguna (RCL) [a]	Educational institution	April 30	**–**	**90.00**	**67.69**	–	90.00	60.46
Union College of Laguna (UCLI) [a]	Educational institution	December 31	**–**	**80.91**	**60.85**	–	80.91	54.36
Career Academy Asia, Inc. (CAA) [b]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
Philcement Corporation (PCC)	Manufacturing and distribution of cement products	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
PHINMA Property Holdings Corporation (PPHC) [d]	Real estate development	December 31	**76.81**	**22.38**	**94.01**	–	–	–
Community Developers and Construction Corporation (CDCC) [d]	Real estate development	December 31	**–**	**99.22**	**93.28**	–	–	–
Community Property Managers Group, Inc. (CPMGI) [d]	Property Management	December 31	**–**	**95.75**	**90.01**	–	–	–
ABCIC Property Holdings, Inc. (APHI) [d]	Selling of real and personal properties	December 31	**89.98**	**–**	**89.98**	–	–	–
PHINMA Hospitality, Inc. (PHI) and Subsidiaries [d]	Management services and investment holdings	December 31	**63.77**	**36.23**	**84.65**	–	–	–
PHINMA Microtel Hotels, Inc. (PHINMA Microtel) [d]	Hotel franchising	December 31	**51.00**	**–**	**51.00**	–	–	–
Coral Way City Hotel Corp. (Coral Way)	Hotel operations	December 31	**23.75**	**26.44**	**46.13**	–	–	–
Krypton Esplanade Hotel Corporation (KEHC)	Hotel operations	December 31	**–**	**100.00**	**46.13**	–	–	–
One Animate Limited (OAL) and Subsidiary [c]	Business process outsourcing - animation services	December 31	**80.00**	**–**	**80.00**	80.00	–	80.00

[a] *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*

[b] *CAA ceased its operations on March 31, 2019.*

[c] *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

[d] *On July 17, 2023, PHN acquired shares in the following companies: 36.71% ownership interest of PPHC; 63.47% ownership interest of APHI; 63.77% ownership interest of PHI; 51.00% ownership interest of PHINMA Microtel and 8.03% ownership interest of PEHI*

The Parent Company and its subsidiaries (collectively referred to as "the Company") were all incorporated in the Philippines, except for OAL which was incorporated in Hong Kong. The Company's ultimate parent company is Philippine Investment-Management (PHINMA), Inc. (PHINMA, Inc.), which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 41 to the consolidated financial statements.

The registered office address of the Parent Company is 12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The consolidated financial statements of the Company as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were reviewed and recommended for approval by the Audit Committee on March 1, 2024. On March 5, 2024 the Board of Directors (BOD) approved the issuance of the Company's consolidated financial statements.

2. Basis of Preparation and Consolidation and Statement of Compliance

The consolidated financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading, investments in financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱) which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by SEC in response to COVID-19 pandemic.

The Company availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of Philippine Interpretations Committee (PIC) Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its controlled subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through power over the investee.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction and is shown as part of "Equity reserves" under the consolidated statement of changes in equity.

3. **Changes in Accounting Policies and Disclosures**

Current Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2023. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the consolidated financial statements of the Company.

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance.

  The adoption resulted in the changes of accounting policy information to only include material accounting policy information.

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21*, Lack of exchangeability*

Deferred effectivity

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

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

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

- Adoption of the Deferred Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&A 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019 respectively, providing relief to the real estate industry by deferring the application of the following provisions of this PIC Q&A for a period of three (3) years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

The PIC Q&A provisions covered by the Philippine SEC deferral that the Company availed in 2021 follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

On July 8, 2021, to assist real estate companies to finally adopt the above mentioned PIC Q&A and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the SEC issued SEC MC No. 8-2021 amending the transition provision of the above PIC Q&A, which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the above PIC Q&A and IFRIC pronouncements.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

PPHC availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12.

4. Summary of Material Accounting Policy Information

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

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

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

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

Financial Assets at Amortized Cost (Debt Instruments). Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, refundable deposits (presented under "Input value-added taxes and other current assets" and "Other noncurrent assets") and deposits (presented under "Other noncurrent assets") as at December 31, 2023 and 2022.

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

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

The Company elected to classify irrevocably under this category its investment in club shares and non-listed equity investments as at December 31, 2023 and 2022.

Financial Assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes investments held for trading and non-listed equity investment which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as "Investment income" in the consolidated statement of income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held.

Modification of Financial Assets. The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded. The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not.

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

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash and cash equivalents, other receivables and deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position), the Company applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred once initial recognition on whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For trade receivables [excluding real estate installment contracts receivable (ICR)], the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience for trade receivables, and external-credit mapping for other debt instruments at amortized cost to calculate ECLs, adjusted for forward-looking factors specific to the debtors and the economic environment.

For its real estate ICR and contract assets, the Company uses the vintage analysis for ECL by calculating the cumulative loss rates of a given real estate ICR and contract asset pool. It derives the probability of default (PD) from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The Company, in general, considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Company has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The receivables of PEHI, PCC, UGC and PPHC that were subjected to specific identification were not included in the credit loss computation. Specifically impaired receivables are receivables that have high non-collectibility risk and fully provided for ECL.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, financial liabilities at amortized cost (loans and borrowings and payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt, derivative liability and non-controlling interest put liability.

Subsequent Measurement. The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. This category includes the Company's derivative liability as at December 31, 2023 and 2022.

Loans and Borrowings and Payables. After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as "Interest expense and other financing charges" in the consolidated statement of income.

This category generally applies to notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt and non-controlling interest put liability of the Company as at December 31, 2023 and 2022.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Derivative Financial Instruments

Initial Recognition and Subsequent Measurement. The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Consequently, gains or losses from changes in fair value of these derivatives that do not qualify for hedge accounting are recognized immediately in the consolidated statement of income as part of "Other income (expenses)". The Company has opted not to designate its derivative transactions under hedge accounting. The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Non-controlling Interest Put Liability

While the NCI put remains unexercised, the Company accounts for it at the end of each reporting period as follows:

(a) The Company determines the amount that would have been recognized for the NCI including an update to reflect allocations of profit or loss, allocations of changes in OCI and dividends declared for the reporting period, as required by PFRS 10, *Consolidated Financial Statements*;
(b) The Company derecognizes the NCI as if it was acquired at that date;
(c) The Company recognizes a financial liability at the present value of the amount payable on exercise of the NCI put in accordance with PFRS 9. There is no separate accounting for the unwinding of the discount due to the passage of time; and
(d) The Company accounts for the difference between (b) and (c) as an equity transaction.

If the NCI put is exercised, the same treatment is applied up to the date of exercise. The amount recognized as the financial liability at that date is extinguished by the payment of the exercise price.

If the NCI put expires unexercised, the position is unwound so that the NCI is recognized at the amount it would have been, as if the put option had never been granted. The financial liability is derecognized, with a corresponding credit to the same component of equity.

Determination of Fair Value

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

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

The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these account as 'listed' are traded in an active market. When the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

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

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods	-	determined using the moving average method; cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity but excludes borrowing costs.
Raw materials, spare parts and others	-	determined using the moving average method.

The net realizable value of inventories, except spare parts, is the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value of spare parts is the current replacement cost.

Real Estate Inventories. Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory and are measured at the lower of cost and NRV. Principally, this is the land, condominium and residential units and parking slots that the Company develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Acquisition costs of raw land;
- Amounts paid to contractors for construction and development; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and estimated costs necessary to make the sale.

When a real estate inventory is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of the real estate inventory recognized in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Construction Materials Inventory. This pertains to construction materials, which are stated at lower of cost and NRV. Cost is determined using the first-in, first-out method and composed of purchase price, transport, handling and other costs directly attributable to the acquisition. NRV of construction materials inventory is the current replacement cost. In determining the NRV, the Company considers any adjustment necessary for obsolescence.

Other Current Assets

Deferred charges. Deferred charges refer to scholarship and discounts unamortized as of the end of financial reporting period.

Prepaid taxes. This consists of creditable withholding taxes which are withheld from purchases to suppliers that will be used within the normal operating cycle of the Company.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments expected to be realized for no more than twelve months after the reporting period, are classified as current assets. Otherwise, they are classified as other noncurrent assets.

Investment in Associates and Joint Ventures
The Company's investments in associates and joint ventures are accounted for using the equity method. The investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value.

The consolidated statement of income reflects the Company's share of the results of operations of the associates and joint ventures. In addition, when there has been a change recognized directly in the equity of the associates and joint ventures, the Company recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Company and the associates and joint ventures and are eliminated to the extent of the interest in the associate or joint ventures.

The Company's share of profits or losses of its associates and joint ventures is shown on the face of the consolidated statement of income outside operating profit and represents profit. This is the profit or loss attributable to equity holders of the associates and joint ventures and therefore is profit or loss after tax and net of controlling interest in the subsidiaries of the associates and joint venture.

The accounting policies of the associates and joint ventures are consistent to those used by the Company for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When the Company's share of losses exceeds its interest in an equity-accounted associate and joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or have made payments on behalf of the associates or joint ventures.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associates and joint ventures. The Company determines at the end of each reporting period whether there is any objective evidence that the Company's investment in associates and joint ventures is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of its investment in the associates and joint ventures and its carrying amount and recognizes the amount in the Company's consolidated statement of income.

Upon loss of significant influence or joint control over the associates or joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amounts of the Company's investment in the associates and joint ventures upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statement of income.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment loss. Land is carried at cost (initial purchase price and other cost directly attributable to the acquisition) less any impairment loss.

Land, plant site improvements, buildings, plant and installations, machinery and equipment of UGC are stated at revalued amount before UGC adopted PFRS 1 in 2005. Upon adoption of PFRS, UGC elected to change its basis for measuring land, plant site improvements, buildings and installations, machinery and equipment from revalued amounts to the cost basis. Consequently, such assets are stated at “deemed cost” as allowed by the transitional provisions of the standard. There are no further increases in the asset revaluation reserve and the account is reduced by the amount of depreciation except for land, on appraisal increase charged to operations, net of tax effect, until the item of land, plant site improvements, buildings and installations, machinery and equipment is fully depreciated or upon its disposal. Such asset revaluation reserve has been closed to retained earnings.

Depreciation commences once the property, plant and equipment are available for use and is computed using the straight-line method over the following estimated useful lives of the assets:

Plant site improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 20 years
Transportation equipment	2 - 10 years
Office furniture and equipment	3 - 10 years
Leasehold improvements	3 - 10 years or lease term, whichever is shorter

Investment Properties
Investment properties are measured initially at cost, including direct transaction costs.

The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties (except land) are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Depreciation is calculated on a straight-line basis over 50 years, the estimated useful lives of the depreciable investment properties, which refer to building, apartment and condominium units.

Depreciation of the building improvements is calculated over the shorter between the estimated useful life of the building improvements and the remaining useful life of the building unit.

Business Combinations, Goodwill and Impairment of Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Company measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the consolidated statement of income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Business combinations under common control used an accounting similar to pooling-of-interest method. In pooling-of-intrests method, the assets and liabilities of the acquired entities are based on the carrying values reported in the consolidated financial statements of the original parent. Accordingly, the assets and liabilities of the acquired entities will be based on the fair value as at the date the acquired entities became part of the original parent and adjusted for subsequent transactions. Any goodwill relating to the acquired entities that was recognized in the original parent's consolidated financial statements will also be recognized. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of combination that would otherwise be done under the acquisition method. The only adjustments that are made are to align the accounting policies. The difference in the carrying values of the acquired entities and the fair value of the consideration given is accounted for as "Other reserves" and is presented as a separate component of equity in the consolidated statement of financial position. Whereas, the carrying amount with respect to the new parent are the same as those in its existing financial statements prior to taking over control of the other entity.

The Company did not restate the periods prior to the combination under common control but retained the equity balances. While the financial information for periods prior to the transaction are not restated, the values assigned to the acquired entities, including equity reserves, are determined as if pooling had been applied since the entities were under common control. This means that any equity values associated with the acquired entities that would have been recognized in equity are carried over as at the date of transaction. This view of not restating balances is consistent with of the pooling-of-interests concept.

Further, the Company's common control business combination involves acquisition of partially owned subsidiaries of the original parent. The NCI is acquired as part of the common control business combination at the same time as the common control transaction. Accordingly, the acquisition of the NCI by the new parent is accounted for from the date of acquisition of these interests.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Impairment of Goodwill. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Under PAS 36, *Impairment of Assets*, the Company is required to perform annual impairment tests on the amount of goodwill acquired in a business combination. Moreover, if the Company did not finalize the goodwill allocation to CGUs, as required by PAS 36, and there are indicators that the provisional goodwill may be impaired, an impairment test of the provisional goodwill is performed. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible Assets (Except for Goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are as follows:

Franchise	20 years
Software costs	5 years
Student lists	3 years
Leasehold rights	Based on the term in the facility lease agreement

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the leasehold rights, student lists and software costs and franchise are accounted for by changing the appropriate amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in consolidated statement of income.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that a nonfinancial asset, excluding goodwill and other intangible assets with indefinite useful lives, may be impaired. If any indication exists, or when annual impairment testing for a nonfinancial asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU). The recoverable amount determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast generally cover a period of five years. For longer period, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognized in the consolidated statement of income in expense categories consistent with the function of impaired asset.

For nonfinancial assets excluding goodwill and other intangible asset with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Treasury Shares
Treasury shares are recorded at cost and deducted from the Company's equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. On subsequent issuance, any difference between the carrying amount and the consideration received is recognized under "Additional paid-in capital" account in the consolidated statement of financial position.

Shares of the Parent Company held by a subsidiary are reflected as treasury shares in the consolidated statements of changes in equity.

Equity Reserves
Other reserves consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and share-based payment transactions.

When determining the Company's performance obligations, the Company assesses its revenue arrangements against specific criteria to determine if the Company is acting as principal or agent. The Company considers both the legal form and the substance of the agreement to determine each party's respective roles in the agreement.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

The specific recognition criteria before revenue is recognized are as follows:

Sale of Goods. Revenue from sale of goods is principally derived from sale of roofing and other steel products, books, uniforms and incidentals, and pharmacy sales and payment is normally due upon delivery to customers or up to 60 days for sale of roofing and other steel products. Revenue from stand-alone sale of roofing and other steel products, sale of books, uniforms and incidentals in bookstores and sale of medicines and supplies in pharmacy are considered as single performance obligations and recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the promised goods.

There are no other promises in these types of arrangements that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). There are no variable consideration, significant financing components, noncash consideration, and consideration payable to the customer that could affect the determination of the transaction price.

Certain books, uniforms and incidentals are included already in the total amount of fees to be paid by the students upon enrolment. The consideration for these goods are assessed separately from tuition and other fees. The Company determined that these goods are distinct promises from the educational services since the students can benefit from the books, uniforms and incidentals either on their own or together with other resources that are readily available to the student, and the Company's promise to transfer the said goods to the students is separately identifiable from the educational services in the contract.

Installation Services. The Company provides installation services for roofing and other steel products that are bundled together with the sale of the roofing and other steel products and payment is normally due within 60 days from progress billing. The Company assessed that while the installation services can be obtained by the customers from other providers, the installation and the goods are not distinct within the context of the contract since the Company provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted. In other words, the Company is using the goods or services as inputs to produce or deliver the combined output specified by the customer.

Hence, the transaction price which corresponds to the contract price net of discount is allocated entirely to the installation service. The Company recognizes revenue from installation services over time, using an output method based on the percentage of completion to measure progress towards complete satisfaction of the service, because the customer controls an asset as it is created or enhanced by the Company in the customer's premises.

Tuition, School Fees and Other Services. Revenue is recognized over time when the related educational services are rendered using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Total assessments of tuition and other school fees, net of monthly amortization to revenue, are recorded as part of

"Contract liabilities" account in the consolidated statement of financial position and are normally due upon enrollment up to 5 months which corresponds to one semester.

Hospital Routine Services. Revenue is recognized over time upon rendering of medical services and administration of medicines and other pharmaceutical products to in-patient customers to be used in their medical operations and payment is due normally upon performance of the service up to one year. The Company elects to use the right to invoice practical expedient in recognizing revenue because the Company has a right to the consideration from the patient in an amount that corresponds directly with the value to the patient of the Company's performance to date. The Company assessed that the medical services and products used by in-patients are not distinct within the context of the contract since the Company provides a significant service of integrating the promises within the contract. The total consideration, net of discount, for the medical services and the medicines used by in-patients comprises the transaction price which is allocated entirely to hospital routine services.

Consultancy Services. Revenue from consultancy services are recognized over time using an output-based measure of progress based on milestones achieved assessed by project managers since based on the terms and conditions of the Company's contract with its customers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. Payment for consultancy services is normally due within 60 days from progress billing. Revenue from consultancy services also include the revenue on services provided by the Parent Company as a consultant in establishing and facilitating cement sale deals between its subsidiary and a cement seller.

Real Estate Sales. The Company enters into contracts with customers to sell property that are either completed or under development.

- Completed Real Estate Inventory

  The sale of completed property constitutes a single performance obligation and the Company has determined that it is satisfied at the point in time when control is transferred. For unconditional exchange of contracts, this generally occurs when legal title is transferred to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

- Real Estate Inventory under Development

  The Company considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to sale of property under development, the Company is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Company accounts for these items as a single performance obligation because it provides a significant service integrating the goods and services (the inputs) in the completed property (the combined output) which the customer has contracted to buy.

  For the sale of real estate inventory under development, the Company has determined that its performance does not create an asset with alternative use to the Company based on the terms and conditions of its contract with the buyers and it has concluded, at all times, it has an enforceable right to payment for performance completed to date. Therefore control is transferred and revenue is recognized over time.

The Company's performance is measured using input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Company excludes the effect of any costs incurred that do not contribute to the Company's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labor or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Company's progress in satisfying the performance obligation (such as land, mobilization costs, temporary facilities and uninstalled materials).

Revisions in the estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, for part of total project costs on a prospective basis, is allocated between costs of sales and real estate inventories.

Construction Contracts. Revenue from construction contracts are recognized over time using the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated costs of the project. The Company uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on onerous contracts are recognized immediately when it is probable that the total unavoidable contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

Service Fees. Service fees pertains to rental management, technical services and property administration and management. These services pertain to the Company's obligation to look for different tenants and manage different condominium covered by the management agreement. Related fees are recognized over time when services are rendered.

Unit Improvement Income. Unit improvement income under pre-completion stage are recognized over time during the construction period or percentage of completion (POC) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Water Revenues. Revenue from water services is recognized upon the supply of water to the customers and when the related services are rendered. The performance obligations are satisfied over-time.

Forfeitures and Cancellations of Real Estate Contracts. Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act (RA) No. 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

In 2021, PPHC adopted the third acceptable approach in accounting for cancellations under PIC Q&A 2020-05 where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost.

Commission Income. Revenue from commissions is recognized upon collection of insurance premium from policyholders.

Management Fees. Management fees represent payment to the Company for services rendered as covered by existing management contracts. Management fees are recognized over time when earned based on a certain percentage of gross revenues of hotels as provided in the management contracts.

License, Marketing and Reservation Fees. License fees represent payment to the Company in consideration for the services provided by the Company to hotel licensees with respect to training, consultation, compliance and other services. Marketing and reservation fees represent the share of the hotel licensee in the marketing and promotional efforts provided by the Company for the hotel brand. License, marketing and reservation fees are recognized over time when earned based on certain percentage of gross revenues of the licensees as provided in the license agreements.

Franchise Fees. Franchise fees represent the one-time fee payment equivalent to a fixed rate upon signing of the license agreement. Franchise fees are recognized when earned based on certain amount per guest room of the licensee.

Hotel Operations. Revenue is recognized based on actual occupancy. Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation are fixed price which is mainly hotel services and sale of goods.

The Company recognizes revenue as the services are rendered over time. Revenue from stand-alone sale of hotel supplies are considered as a single performance obligation recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the promised goods.

Contract Balances

Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Company currently does not have right to consideration that is conditional.

For the Company's real estate segment, the amounts recognized as revenue related to sale of a property under development for a given period do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed, the difference is recognized as a contract asset.

For the Company's construction segment, contract assets include costs and estimated earnings in excess of billings on uncompleted contracts which represents total costs incurred and estimated earnings recognized in excess of amounts billed.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. These pertain to unearned revenue from tuition, school and other service fees and deposits from customers for future goods and services.

For the Company's real estate segment, contract liability is recognized in the case of contracts in which the goods or services transferred are lower than the amount billed to the customer.

For the Company's construction segment, contract liabilities include billings in excess of costs and estimated earnings on uncompleted contracts which represents billings in excess of total costs incurred and estimated earnings recognized.

Costs to Obtain Contract. The Company pays sales commission to its employees for each contract that they obtain for sale of roofing and other steel products and installation services. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions included under "Selling expenses" account because the amortization period of the asset that the Company otherwise would have used is one year or less.

On the other hand, the Company's real estate segment pays sales commission to its brokers and marketing agents for contracts that they obtain to sell certain units of property and capitalizes the incremental cost of obtaining a contract that meet the criteria in PFRS 15. These costs are amortized and are charged to expense in the period in which the related revenue is recognized as earned. Capitalized costs to obtain such contracts are represented as "Cost to obtain contract" under "Other current assets" account in the consolidated statement of financial position and its amortization is included in the "Operating expenses" as "Commission expense" in the consolidated statement of income.

The real estate segment assesses, at each reporting date, whether the carrying amount exceeds the remaining amount of consideration that the entity expects to receive in exchange for the residential development less the costs that relate directly to completing the development and that have not been recognized as expenses.

Contract Fulfillment Assets. The Company's contract fulfillment costs pertain to cost of temporary facilities, mobilization and demobilization costs, capitalized borrowing costs and land acquisition costs as included in the "Inventories" account in the consolidated statement of financial position.

The Company amortizes contract fulfillment assets over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of sales (for contract fulfillment asset) and operating expenses (for capitalized costs to obtain a contract).

Other Revenues

Investment Income. Investment income includes net gains and losses on investments held for trading and interest income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Dividend income is recognized when the shareholder's right to receive the payment is established.

Rental Income. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Costs and Expenses

Costs and expenses are generally recognized as incurred. Costs and expenses constitute the following:

Cost of Sales, Cost of Real Estate Sold and Construction Services, Cost of Educational Services, Cost of Installation Services, Cost of Hotel Operations, Cost of Hospital Services, and Cost of Management Services. Cost of sales includes direct materials used, personnel costs, as well as repair and power and fuel used to run production of steel products. Cost of sales also includes cost of books, uniforms and incidentals and cost of medicines and pharmaceutical products sold. Cost of educational services constitutes costs incurred to administer academic instruction. Cost of hospital services includes professional fees paid to medical personnel, utilities and other medical supplies used to render medical services. Costs of hotel services includes advertising and promotions expenses incurred for advertising schemes and promotional activities for indorsing the project hotels of the Company. Costs of real estate sold includes cost of land and development. Costs of management services constitute costs incurred for the general management of all operations and personnel of customers and costs of administering the business. These expenses are expensed as incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Selling Expenses. Selling expenses include costs of distribution of steel products, books, incidentals, personnel costs, freight expenses, commission and advertising. Selling expenses are expensed as incurred.

Pension and Other Employee Benefits

Defined Benefit Plan. The Parent Company, PHI, PHINMA Microtel Hotels, PPHC, Coral Way, PCC, UGC, PEHI, UPANG, AU, COC, UI, SJCI, RC, RCL, UCLI and SWU have distinct funded, noncontributory defined benefit retirement plans covering all permanent employees, each administered by their respective Retirement Committees. The rest of the subsidiaries have no retirement plan either because the subsidiaries ceased commercial operations or accounting or administrative functions are handled by an employee of another company within the group. Retirement costs on these defined benefit retirement plans are actuarially determined using the projected unit credit method.

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Net pension cost comprises the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurement of defined benefit liability or asset in OCI

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods but rather these are closed to retained earnings every end of the period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. The Parent Company also provides a defined contribution plans that cover all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries. The retirement funds for the defined benefit and defined contribution plans cannot be used to meet the funding requirements of each other. While the Company is covered under Republic Act (R.A.) 7641, otherwise known as *"The Philippine Retirement Law"*, which provides for qualified employees to receive a defined minimum guarantee, the existing defined benefit plan is sufficient to cover the required minimum retirement obligation under the law. Accordingly, the Company accounts for its monthly defined contribution as expense when incurred.

Termination Benefits. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees.

Leases

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

- *Right-of-use Assets*. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Land	5-25 years
Buildings	3.5-5 years
Warehouses	2-20 years
Vehicles	3-3.5 years
Others	3-5 years

  Right-of-use assets are subject to impairment.

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

  In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases*. The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase due to the passage of time is recognized as interest expense in the consolidated statement of income. When the Company expects a provision to be reimbursed, the reimbursement is recorded as a separate asset but only when the receipt of the reimbursement is virtually certain.

Foreign Currency-denominated Transactions and Translation
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. The subsidiaries determine their own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

Other than OAL, the functional and presentation currency of the subsidiaries within the Company is Philippine peso. The functional currency of OAL is U.S. dollar. The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

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

Deferred Income Tax. Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses from net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused MCIT and NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint venture. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Income and other taxes payable" account in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of "Input value-added taxes" account in the consolidated balance sheet to the extent of the recoverable amount.

<u>Earnings per Common Share (EPS) Attributable to the Equity Holders of the Parent</u>
Basic EPS is computed by dividing net income attributable to the common equity holders of the Parent Company by the weighted average number of outstanding common shares during the year after giving retroactive effect to any stock dividend declared during the year.

The Company does not have potential common share or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

<u>Segment Reporting</u>
The Company is organized into six major business segments namely, investment holdings, property development, construction materials, educational services, hospitality, hotel franchising and management and business process outsourcing (BPO). Financial information about the Company's business segments is presented in Note 41 to the consolidated financial statements.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

<u>Events After Financial Reporting Date</u>
Post year-end events up to the date of approval of the consolidated financial statements by the BOD that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The accompanying consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing the Company's consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments

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

Revenue Recognition for Real Estate

i. *Existence of a Contract.*

The Company's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past credit history of customer, age, pricing of the property and ability to comply with the documentary requirements. The Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

From September 1, 2020, the Company changed its policy and criteria for recognizing real estate revenues for its Home Development Mutual Fund (HDMF), bank and in-house financing schemes. Previously, a contract is considered to meet the revenue recognition criteria once it has breached the minimum collection threshold and met certain documentary requirements. The change beginning September 1, 2020 resulted to management requiring a lower collection requirement for bank and in-house financed real estate sales, while a higher collection threshold and more stringent documentation for HDMF-financed real estate sales. Management takes the view that this revised collection threshold provides reliable and more relevant information considering that there were minimal backouts under the previous collection requirement for bank and in-house financed sales. For its HDMF financing scheme, the change was in response to the challenges brought by the COVID-19 pandemic, which limited the documentary requirements required by HDMF in the facilitation of loan take-outs for real estate sales. The effect in 2021 was increase in revenue of ₱287.2 million, with corresponding impact on tax. The impact on future periods cannot be presently determined as it is dependent on existing and future sales contracts that will or will not fall or meet the new collection threshold and/ or documentary requirements.

For construction contracts, the Company assessed that various documents or arrangements (whether separately or collectively) will create a contract in accordance with PFRS 15. The Company considered relevant facts and circumstances including customary business practices and assessed that the enforceability of its documents or arrangements depends on the nature and requirements stated in the terms of those documents or arrangements. Certain documents that indicate enforceability of contract include Letter/ Notice of Award, Letter of Intent, Notice to Proceed and Purchase Order.

ii. *Revenue Recognition Method.*
For sale of real estate inventories under development, the Company has concluded that revenue is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Company has determined that input method used in measuring progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

For construction contracts, the Company concluded that revenue is to be recognized over time because: (a) the customer controls assets as it is created or enhanced; (b) the Company's performance does not create an asset with an alternative use; and (c) the Company has an enforceable right to payment for performance completed to date. The Company assessed that the first criterion is consistent with the rationale for POC revenue recognition approach for construction contract. Moreover, the customer can also specify the design of the asset being constructed and the Company builds the asset on the customer's land and the customer can generally control any work in progress arising from the Company's performance. The last criterion is evident in the actual provisions of the contract. As the Company cannot direct the asset to another customer, it satisfies the criteria of no alternative use.

The Company elected to use the input method to measure the progress of the fulfillment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated costs to complete the construction projects. The Company believes that this method faithfully depicts the Company's performance towards satisfaction of its performance obligation because there is a direct relationship between the Company's efforts (i.e., costs incurred) and the transfer of control of the services provided to the customer.

iii. *Identifying Performance Obligation.*
Construction projects of the Company usually includes individually distinct goods and services. These goods and services are distinct as the customers can benefit from the service on its own and are separately identifiable. However, the Company assessed that goods and services are not separately identifiable from other promises in the contract. The Company provides significant service of integrating the various goods and services (inputs) into a single output for which the customer has contracted. Consequently, the Company accounts for all of the goods and services in the contract as a single performance obligation.

iv. *Consideration of Significant Financing Component in a Construction Contract.* The Company usually imposes to its customers a percentage of contract price as an advance payment of the total contract price as mobilization fees. The Company concluded that there is no significant financing component for those contracts where the customer pays in advance, considering: (a) the advance payments have historically been recouped within 12 months from the reporting date; and (b) the billings are normally based on the POC. The lag time between performance of construction service which is measured through POC and actual billing and billing to collection is substantially within 12 months.

Material Partly-owned Subsidiaries. The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Company (see Note 8). Management determined material partly-owned subsidiaries as those with carrying value of NCI greater than 5% of total NCI as at end of the year.

Material Associates and Joint Ventures. Management determined material associates and joint ventures as those associates and joint ventures where the carrying amount of the Company's investment is greater than 5% of the total investments in associates and joint ventures as at end of the year and the associate or joint venture contributes more than 5% of the consolidated net income based on the equity in net earnings/losses. As at December 31, 2023 and 2022, the Company has no material associates and joint ventures (see Note 13).

Determining the Lease Term of Contracts with Renewal and Termination Options – Company as a Lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Rent expense for short-term leases amounted to ₱166.0 million, ₱113.5 million and ₱103.5 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Notes 27, 28 and 38).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

Business Combination. The Company's consolidated financial statements and financial performance reflect acquired businesses after the completion of the respective acquisition. The Company accounts for the acquired businesses using the acquisition method, which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in the Company's consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial performance.

On May 21, 2021, PEHI and the shareholders of UCLI entered into a Share and Asset Purchase Agreement to acquire 65.76% of the total issued and outstanding capital stock of UCLI for a consideration of ₱86.8 million which resulted in allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of UCLI as at the date of the acquisition were finalized in 2022 and are disclosed in Note 6.

Leases - Estimating the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to ₱524.5 million and ₱314.1 million as at December 31, 2023 and 2022, respectively (see Note 38).

Estimating Allowance for ECLs

The following information explains the inputs, assumptions and techniques used by the Company in estimating ECL:

- General approach for cash and cash equivalents, other receivables and deposits

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Company considers the probability of its counterparty to default in its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized, forward-looking estimates and time value of money.

- Simplified approach for receivables from customers

  The Company uses a simplified approach for calculating ECL on receivables from customers through the use of provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

  The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Company's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking rates are analyzed.

  For the Company's real estate segment, it uses vintage analysis approach to calculate ECLs for real estate ICR and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

- Incorporation of forward-looking information

  The Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates, industry growth rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Company for other purposes such as strategic planning and budgeting.

  The Company identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past three (3) to five (5) years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Company segmentized its receivable from students on the basis of the geographical location of each school (e.g., Pangasinan, Cebu, Iloilo, Nueva Ecija, Manila, Quezon City, Cagayan de Oro) while receivable from customers of construction materials are segmentized based on the type of customer (e.g., contractors, hardwares, developers, roofing specialists, fabricators and end users). Receivable from patients, consultancy services, and others are assessed as separate segments. Receivables from real estate sales are grouped based on shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the Company to be statistically credible. Where sufficient information is not available internally, the Company has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings for real estate receivables are (i) bank financing, (ii) in-house financing and (iii) HDMF financing.

  The following credit exposures are assessed individually:
  a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and
  b. Cash and cash equivalents, other receivables and deposits

There have been no significant changes in estimation techniques or significant assumptions. The receivables of the Company that were subjected to specific identification were not included in the credit loss computation. Specifically impaired receivables are receivables that have high non-collectibility risk and fully provided for ECL.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Provision for ECL amounted to ₱88.1 million, ₱178.8 million and ₱185.9 million in 2023, 2022 and 2021, respectively (see Note 28). The allowance for ECL amounted to ₱1,524.7 million and ₱1,377.4 million as at December 31, 2023 and 2022. The carrying amounts of trade and other receivables amounted to ₱8,845.5 million and ₱5,807.3 million as at December 31, 2023 and 2022 (see Note 11).

Estimating Net Realizable Value of Inventories. The Company carries inventories at net realizable value when this becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

The Company recognized provision (reversal) for inventory obsolescence of (₱7.4 million) and ₱4.0 million in 2023 and 2022, respectively. Write-off of inventory amounted to nil in 2023 and 2022. The allowance for inventory obsolescence amounted to ₱6.7 million and ₱14.1 million as at December 31, 2023 and 2022, respectively. The carrying amounts of inventories amounted to ₱3,765.0 million and ₱2,376.0 million as at December 31, 2023 and 2022, respectively (see Note 12).

Impairment of Goodwill. The Company performs impairment testing of goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the VIU of the CGU to which the goodwill is allocated. VIU is determined by making an estimate of the expected future cash flows from the CGU and applies a discount rate to calculate the present value of these cash flows. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. The recoverable amount of goodwill has been determined based on VIU calculation using cash flow projections covering a five-year period. The calculation of VIU for the Company's goodwill is sensitive to revenue growth rates and discount rates. Revenue growth rates estimates are based on values acquired in previous years and also takes into account anticipated increase from various market initiatives. Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of the weighted average cost of capital for the industry. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

The carrying amount of goodwill, pre-tax discount rates and growth rates applied to cash flow projections for impairment testing are as follows:

	Goodwill		Pre-tax Discount		Growth Rates	
	2023	2022	**2023**	2022	**2023**	2022
SWU	**₱996,484**	₱996,484	**12.1%**	14.9%	**5%**	5%
UPANG	**385,817**	385,817	**12.1%**	14.6%	**5%**	5%
UI	**213,995**	213,995	**12.1%**	14.6%	**5%**	5%
SJCI	**103,992**	103,992	**12.1%**	14.7%	**5%**	5%
RCI	**61,286**	61,286	**12.1%**	15.4%	**5%**	5%
AU	**35,917**	35,917	**12.1%**	14.6%	**5%**	5%
COC	**20,445**	20,445	**12.1%**	14.6%	**5%**	5%
PPHC	**4,122**	–	**12.1%**	–	**5%**	–
	₱1,822,058	₱1,817,936				

Management believes that no reasonably possible change in these key assumptions would cause the carrying values of goodwill to materially exceed its recoverable amount. The Company performs its annual testing of goodwill every December 31.

There was no impairment loss on goodwill in 2023 and 2022. The carrying amount of goodwill amounting to ₱1,822.1 million and ₱1,817.9 million as at December 31, 2023 and 2022, was presented under “Intangible assets” account in the consolidated statements of financial position (see Note 18).

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 assets to be utilized. The assessment in the recognition of deferred tax assets on temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on past results and future expectations on revenues and expenses. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

Carrying values of deferred tax assets amounted to ₱804.2 million and ₱421.4 million as at December 31, 2023 and 2022, respectively (see Note 34). The Company’s deductible temporary differences, unused NOLCO and MCIT, for which no deferred tax assets are recognized in the consolidated statements of financial position are disclosed in Note 34.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets with Finite Useful Lives. The Company estimates the useful lives of depreciable property, plant and equipment, depreciable investment properties and intangible assets with finite useful lives based on the period over which the property, plant and equipment, investment properties and intangible assets with finite useful lives are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets and in the case of intangible assets, useful lives are also based on the contracts covering such intangible assets. The estimated useful lives of property, plant and equipment, investment properties and intangible assets with finite useful lives are reviewed at each financial year-end and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment, investment properties and intangible assets with finite useful lives. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

The carrying amounts of depreciable property, plant and equipment, investment properties and intangible assets with finite useful lives are as follows:

	2023	2022
Property, plant and equipment (see Note 16)	**₱9,281,912**	₱6,904,842
Investment properties (see Note 17)	**300,731**	12,787
Intangible assets with finite useful lives (see Note 18)	**121,806**	35,789

Pension Benefits. The cost of pension plans is determined using projected unit credit method. Actuarial valuation includes making various assumptions which consists, among other things, discount rates, rates of compensation increases and mortality rates. Due to complexity of valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. While the Company believes that its assumptions are reasonable and appropriate, significant differences in its actual experience or significant changes in its assumptions may materially affect its cost for pension and other retirement obligations.

All assumptions are reviewed every year-end (see Note 35).

Pension costs amounted to ₱125.1 million, ₱103.4 million and ₱79.7 million in 2023, 2022 and 2021, respectively (see Note 30). Pension and other-employment benefits liability amounted to ₱358.3 million and ₱275.6 million as at December 31, 2023 and 2022, respectively (see Note 35).

Fair Value of Financial Instruments. When the fair values of financial instruments recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility. The Company's investments held for trading, financial assets at FVPL, financial assets at FVOCI and derivatives instruments are recorded at fair value.

The methods and assumptions used to estimate the fair value of financial assets and liabilities are discussed in Note 37.

Contingencies and Tax Assessments. The Company is currently involved in various legal proceedings and assessments for local and national taxes

The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's consolidated financial statements. Based on management's assessment, appropriate provisions were made in the consolidated statements of financial position.

6. Business Combination

Acquisition of PHINMA Property Holdings Corporation, ABCIC Property Holdings, Inc. PHINMA Hospitality and PHINMA Microtel Hotels, Inc. On July 17, 2023, the Parent Company and PHINMA, Inc., executed a Deed of Sale for the purchase of investments of PHINMA, Inc. in the following Companies:

Company	Description	PHINMA, Inc.'s Direct Ownership	Transaction Value (₱ in millions)
PPHC	Holding company of the Company's property development arm	36.71%	₱588.9
PHI	Management company of the Company's Microtel and TRYP hotels; part-owner in 7 hotels	63.77%	251.2
PHINMA Microtel	Master franchisor of Microtel and TRYP hotels in the Philippines	51.00%	21.2
APHI	Owner of real estate properties	63.47%	409.4
Total			**₱1,270.7**

The net cash outflow related to the acquisition is as follows:

Cash payments relating to acquisition	₱1,270,699
Less cash of acquired subsidiaries	287,337
Net cash outflow	₱983,362

The Parent Company and all the entities above are subsidiaries of PHINMA, Inc. before and after the business combination. Thus, the acquisition was accounted for as business combination under common control for which pooling of interests method was applied in the preparation of the consolidated financial statements. The assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. Financial information for periods prior to the date of business combination was not restated.

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No "new" goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities starting when the combination took place.

The combination resulted to equity adjustment from common control business combination, included under "Equity reserves" account, amounting to ₱636.4 million. It also resulted to increase in "Non-controlling interests" account amounting to ₱573.9 million and decrease in "Retained earnings" account amounting to ₱10.6 million.

Acquisition of Union College of Laguna (UCLI). On May 21, 2021, PEHI signed and closed the Share and Asset Purchase Agreement and acquired 65.76% controlling shares of stock of UCLI for a consideration of ₱86.8 million. UCLI offers Junior High School and the Academic Track (Accountancy & Business Management Strand, General Academic Strand, and Humanities and Social Sciences Strand), Technical Vocational Track (Home Economics) and ICT Track (Computer Hardware Servicing Strand) for Senior High School. UCLI also offers undergraduate courses in Psychology, Criminology, Education, Business Administration, Accountancy, Hospitality Management, and Information Technology, and graduate programs in Education and Public Administration. UCLI is a school that operates secondary, tertiary and graduate programs.

The fair value of the identifiable assets and liabilities of UCLI as at the date of the acquisition are as follows:

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱2,377
Tuition fee and other receivables	9,419
Prepaid expenses and other current assets	1,711
Land	142,032
Building and improvements	59,633
Furniture and fixtures	2,494
Indemnification assets	13,747
Total assets	231,413
Total liabilities:	
Trade and other payables	34,105
Deferred tax liabilities	18,578
Long-term payable	32,494
Pension liability	1,503
Total liabilities	86,680
Total identifiable net assets acquired	144,733
Proportionate share of NCI in net assets acquired	(49,557)
Gain arising from acquisition	(8,334)
Purchase consideration transferred	₱86,842

The net assets recognized in the December 31, 2021 financial statements were based on a provisional assessment of the fair value while PEHI sought an independent valuation for the fixed assets of the acquired business.

In 2022, the valuation was completed, and on the acquisition date fair value of land and buildings were increased by ₱116.5 million over the provisional value. Fair value of other net assets acquired were decreased by ₱22.9 million. The 2021 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the non-controlling interest of ₱32.0 million and recognition of gain from bargain purchase of ₱8.3 million from provisional goodwill in 2021 amounting to ₱53.2 million. The gain on bargain purchase has been presented as a separate line item in the 2022 consolidated statement of comprehensive income.

The description of the valuation technique used and key inputs to fair valuation are as follows:

	Valuation Technique	Inputs	Value
Land	Cost approach	Price per square meter	₱22,000
Buildings and improvements	Cost approach	Reproduction or replacement cost of the property	Buildings - ₱94.0 million

The net cash inflow related to the acquisition is as follows:

Cash payments relating to acquisition	₱86,842
Less cash of acquired subsidiary	2,377
Net cash inflow	₱84,465

From the date of acquisition to December 31, 2021, the net revenue included in the consolidated statement of comprehensive income contributed by UCL was ₱38.0 million. UCL also contributed net loss of ₱0.4 million over the same period. If the acquisition had taken place at the beginning of the year 2021, the consolidated statement of comprehensive income would have included net revenue of ₱44.9 million and net income of ₱0.9 million. Total transaction costs for the acquisition, amounting to ₱1.0 million, have been expensed and included in the "General and administrative expenses" in the consolidated statement of comprehensive income and is part of operating cash flows for the year ended December 31, 2021.

7. Transactions with Non-controlling Interests and Others Changes in Ownership

<u>Acquisition of Ownership Interest of NCI in PEHI</u>
On July 17, 2023, the Parent Company acquired the shares in PEHI held by PHINMA, Inc. for a total cost of ₱1,064.8 million, which increased its ownership interest to 75.21%. The transaction resulted to the decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱542.4 million and ₱522.3 million, respectively.

<u>Dilution and Acquisition of Ownership Interest of NCI in AU</u>
On September 1, 2023, PEHI acquired 32,361 shares in AU for a total cost of ₱3.79 million, which increased its ownership interest to 97.76%. The transaction resulted to the decrease in "Equity reserves" and "Non-controlling interests" accounts by ₱3.1 million and ₱0.7 million, respectively.

<u>Call and Put Option over the NCI in PEHI</u>
As part of the signed investment agreement of PEHI and the Investors, in the event that an initial public offering (IPO) of PEHI is not completed on the fifth anniversary of the agreement, the Investors have an irrevocable right and option to sell to and obligate the Parent Company to purchase all or portion of their shares (put option). On the other hand, the Parent Company has an irrevocable right and option to purchase and obligate all of the Investors to sell all of its shares under certain conditions.

The exercise price of the options is based at a price that generates 10% internal rate of return, based on the investor US dollar subscription price per share, which is calculated at the agreed exchange rate for the period beginning on the closing date and ending on the date of the relevant notice.

This transaction resulted to recognition of "Non-controlling interest put liability" amounting to ₱2,570.6 million and ₱2,188.3 million as at December 31, 2023 and 2022, respectively, and derecognition of "Non-controlling interests" amounting to ₱133.8 million and ₱107.4 million in 2023 and 2022, with the difference recorded as "Equity reserves" amounting to ₱248.5 million and ₱218.1 million in 2023 and 2022, respectively. As at December 31, 2023, the Company fully expects to complete the IPO within a certain period as agreed in the signed investment agreement and will at that point derecognize the put liability with a corresponding credit to the same component of equity.

8. Material Partly-owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI in 2023 and 2022 are as follows:

	Percentage of Ownership	
Name	**2023**	2022
API	**42.38**	42.38
PCC	**40.00**	40.00
PEHI and subsidiaries	**24.79**	32.82
PPHC and subsidiaries	**23.19**	–

Accumulated balances of material NCI as at December 31 are as follow:

Name	**2023**	2022
PEHI and subsidiaries	**₱1,347,026**	₱1,788,535
PCC	**885,152**	791,331
PPHC and subsidiaries	**318,482**	–
API	**189,808**	182,374

Profit allocated to material NCI for the years ended December 31 follows:

Name	**2023**	2022
PEHI and subsidiaries	**₱251,216**	₱392,637
PCC	**134,536**	167,327
API	**7,434**	17,240
PPHC and subsidiaries	**3,490**	–

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized total assets and liabilities as at December 31, 2023 are as follows:

	PPHC and subsidiaries	**PEHI and subsidiaries**	**API**	**PCC**
Current assets	**₱6,898,713**	**₱4,531,476**	**₱112,950**	**₱4,656,472**
Noncurrent assets	**1,012,287**	**11,759,680**	**289,145**	**4,090,432**
Total assets	**₱7,911,000**	**₱16,291,156**	**₱402,095**	**₱8,746,904**
Current liabilities	**₱4,774,291**	**₱3,619,863**	**₱52,189**	**₱4,696,188**
Noncurrent liabilities	**1,130,710**	**4,752,096**	**–**	**1,545,834**
Total liabilities	**₱5,905,001**	**₱8,371,959**	**₱52,189**	**₱6,242,022**

Summarized total assets and liabilities as at December 31, 2022 are as follows:

	PEHI and subsidiaries	API	PCC
Current assets	₱4,369,960	₱115,966	₱3,847,322
Noncurrent assets	9,575,462	268,596	3,819,641
Total assets	₱13,945,422	₱384,562	₱7,666,963
Current liabilities	₱2,848,810	₱52,174	₱3,215,710
Noncurrent liabilities	3,915,240	23	2,144,925
Total liabilities	₱6,764,050	₱52,197	₱5,360,635

Summarized statements of comprehensive income for the year ended December 31, 2023:

	PPHC and subsidiairies	**PEHI and subsidiaries**	**API**	**PCC**
Revenues	**₱1,915,503**	**₱5,438,698**	**₱3,588**	**₱8,664,116**
Cost of sales	**(1,068,166)**	**(2,405,211)**	**–**	**(7,821,066)**
Administrative and selling expenses	**(391,002)**	**(1,600,733)**	**(1,509)**	**(289,544)**
Finance costs	**(122,759)**	**(210,544)**	**–**	**(261,349)**
Other income - net	**32,578**	**17,960**	**15,409**	**19,866**
Income before income tax	**366,154**	**1,240,170**	**17,488**	**312,023**
Income tax	**(84,009)**	**(45,994)**	**–**	**24,266**
Net income	**282,145**	**1,194,176**	**17,488**	**336,289**
Other comprehensive income (loss)	**(11,440)**	**(24,638)**	**–**	**(1,785)**
Total comprehensive income	**₱270,705**	**₱1,169,538**	**₱17,488**	**₱334,504**

Summarized statements of comprehensive income for the year ended December 31, 2022:

	PEHI and subsidiaries	API	PCC
Revenues	₱4,068,537	₱37,040	₱8,764,769
Cost of sales	(1,842,370)	(3,333)	(7,924,976)
Administrative and selling expenses	(1,339,092)	(3,200)	(252,009)
Finance costs	(175,166)	–	(200,046)
Other expense - net	100,044	15,291	18,668
Income before income tax	811,953	45,798	406,406
Income tax	6,396	(5,026)	11,422
Net income	818,349	40,772	417,828
Other comprehensive income	6,176	–	1,107
Total comprehensive income	₱824,525	₱40,772	₱418,935

Summarized statements of cash flows for the year ended December 31, 2023:

	PPHC and subsidiaries	**PEHI and subsidiaries**	**API**	**PCC**
Operating	**(₱1,074,261)**	**₱67,667,789**	**₱16,316**	**₱435,491**
Investing	**(25,769)**	**(68,794,704)**	**2,324**	**(365,809)**
Financing	**789,987**	**804,306**	**–**	**138,595**
Net increase (decrease) in cash and cash equivalents	**(310,043)**	**(322,609)**	**₱18,640**	**₱208,277**
Dividends paid to non-controlling interests	**₱–**	**₱259,994**	**₱–**	**₱40,000**

Summarized statements of cash flows for the year ended December 31, 2022:

	PEHI and subsidiaries	API	PCC
Operating	₱1,363,613	₱10,567	(₱1,303,942)
Investing	(1,072,565)	3,238	(530,144)
Financing	(213,455)	–	1,625,094
Net increase (decrease) in cash and cash equivalents	₱77,593	₱13,805	(₱208,992)
Dividends paid to non-controlling interests	₱115,285	₱–	₱40,000

9. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand and in banks	**₱2,115,094**	₱1,727,119
Short-term deposits	**790,819**	1,694,459
	₱2,905,913	₱3,421,578

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income from cash and cash equivalents amounted to ₱69.5 million, ₱29.6 million and ₱7.8 million in 2023, 2022 and 2021, respectively (see Note 26).

10. Investments Held for Trading

This account consists of investments in:

	2023	2022
Unit Investment Trust Funds (UITFs)	**₱371,412**	₱647,383
Marketable equity securities	**3,684**	6,933
	₱375,096	₱654,316

Investments held for trading have yields ranging from 3.83% to 5.00% in 2023, 1.25% to 1.84% in 2022 and 0.04% to 1.25% in 2021. Net gains from investments held for trading amounted to ₱15.1 million, ₱11.7 million and ₱16.0 million in 2023, 2022 and 2021, respectively (see Note 26).

Interest income from investments held for trading amounted to nil in 2023, 2022 and 2021.

11. Trade and Other Receivables

This account consists of:

	2023	2022
Receivables from customers (Note 25)	**₱6,058,404**	₱4,560,715
Advances to suppliers and contractors	**2,198,352**	1,759,992
Advances to other third parties	**540,518**	160,985
Accrued interest receivables	**440,276**	338,546
Loans receivables	**379,486**	4,417
Due from related parties (see Note 33)	**150,870**	28,918
Rent receivable	**112,662**	95,761
Advances to officers and employees	**61,793**	56,148
Others	**427,844**	179,196
	10,370,205	7,184,678
Less allowance for ECLs	**1,524,697**	1,377,419
	8,845,508	5,807,259
Less: Noncurrent portion	**331,719**	175,803
	₱8,513,789	₱5,631,456

Receivables from customers include receivables from sale of roofing and other steel products to customers which are normally on a 30-60 day term. Receivables from customers also include tuition and other school fees receivables which are normally collected within the current school semester. It also includes PPHC's trade receivables with detailed nature below:

Retention Receivables
Retention receivables includes those arising from sale of real estate under HDMF financing and those from construction contracts.

Retention receivables from HDMF represent amounts withheld by HDMF on the Group's loan take-out of sales of condominium and housing units availed under HDMF financing scheme. These are released to the Group within two years from the date of loan take-out.

Retention receivable from construction contracts represents the amount retained by the contract owner as security for any construction defects and other non-compliance from the specifications and shall be released after the period as indicated in the contract.

Real Estate ICR
Real estate ICR consist of accounts collectible in equal monthly installments with various terms up to a maximum of ten (10) years). These are carried at amortized cost. The corresponding titles to the condominium and housing unit sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Real estate ICR are subject to 16.0% interest rate per annum. Interest income earned from real estate ICR amounted to ₱24.4 million in 2023 (see Note 26).

On February 28, 2022 and December 1, 2020, PPHC entered into a receivable purchase agreement with a local financial institution whereby PPHC will assign its installment contracts receivable on a "with recourse basis" in the aggregate credit facility agreement totaling ₱500.0 million and ₱50.0 million, respectively. PPHC assigned real estate ICR (included in trade receivables) with an aggregate carrying amount and equal amount of cash proceeds of nil in 2023.

PPHC retains the assigned receivables in the real estate ICR and contract asset account and records the proceeds from these sales as short-term and long-term debt. The carrying value of real estate ICR and contract assets assigned with recourse and the associated liability amounted to nil as of 2023. The real estate ICR on a with recourse basis are used as collaterals for the bank loans obtained. If the real estate ICR are not paid at maturity, the bank has the right to request PPHC to pay the unsettled balance.

General Construction Receivables
General construction receivables principally consist of receivables arising from third-party construction projects. These receivables are based on progress billings provided to customers over the period of construction and are normally collected within 30 days. Interest income earned from construction receivables amounted to nil in 2023.

Property Management Receivables
Receivables from property management services are claims from condominium corporations and unit owners for the services rendered by the Group. These are generally on a 30-day credit term.

Other trade receivables are noninterest-bearing and are normally collected within the next financial year.

Advances to suppliers and contractors are noninterest-bearing and normally received within the next financial year. This account mainly consists of safeguard duties paid to Bureau of Customs in relation to the PCC's importation of cement. In October 2019, PCC filed a petition with the Court of Tax Appeals (CTA) to reverse and nullify the imposition by the Department of Trade and Industry (DTI) of safeguard duties on its importation of cement during the year. As at December 31, 2023 and 2022, safeguard duties paid amounted to ₱1,242.6 million.

Advances to other third parties mainly represent advances to utility companies, brokers and agents. It also include PPHC's advances to condominium corporations for the out-of-pocket costs paid while in the process of establishing the condominium corporations and receivables from the related parties of SWU before the takeover of the Company in April 2015. The amount is fully provided with an allowance for ECL.

Accrued interest receivables are normally collected within the next financial year. Interest income from trade and other receivables amounted to ₱35.2 million, ₱9.9 million and ₱5.1 million in 2023, 2022 and 2021, respectively (see Note 26).

Rent receivables are noninterest-bearing and are collectible within the next financial year.

Advances to officers and employees pertain to advances made to officers and employees for business transactions they enter on behalf of the Company. These are normally liquidated within a year.

The terms and conditions of the amounts due from related parties are discussed in Note 33.

Loan receivables pertain to sums of money lent to third parties to be paid either in lump sum or in installment over the specified period of time.

Other receivables include receivables from Social Security System (SSS) and Philippine Health Insurance Corporation (Philhealth), which are noninterest-bearing and are normally collected within the next financial year.

Movements in the allowance for ECLs are as follows:

		2023	
	Customer	**Others**	**Total**
Balance at January 1, 2023	**₱1,230,484**	**₱146,935**	**₱1,377,419**
Provisions (see Note 28)	**87,376**	**725**	**88,101**
Write-off	**(22,747)**	**–**	**(22,747)**
Acquisition through business combination	**81,879**	**45**	**81,924**
Balance at December 31, 2023	**₱1,376,992**	**₱147,705**	**₱1,524,697**

		2022	
	Customer	Others	Total
Balance at January 1, 2022	₱1,051,679	₱146,935	₱1,198,614
Provisions (see Note 28)	178,805	–	178,805
Balance at December 31, 2022	₱1,230,484	₱146,935	₱1,377,419

12. **Inventories**

This account consists of:

	2023	2022
At cost:		
Finished goods	**₱1,884,342**	₱1,942,001
Land and development cost	**1,218,512**	–
Condominium and housing units for sale	**179,625**	–
Raw materials	**248,514**	186,259
Other inventories	**133,168**	149,607
At net realizable value:		
Spare parts and others	**91,294**	90,345
Other inventories	**9,547**	7,796
	₱3,765,002	₱2,376,008

Movements in the land and development costs and condominium and housing units for sale are as follows:

Land and development costs	2023
Balance at beginning of year	₱–
Acquisition through business combination	1,755,136
Sale (recognized in cost of real estate sold and construction services) (see Note 27)	(797,321)
Land and development cost	87,482
Land acquired during the year	141,560
Cancelled sales	31,636
Capitalized depreciation (see Note 31)	19
Balance at end of year	₱1,218,512

Condominium and housing units for sale	2023
Balance at beginning of year	₱–
Acquisition through business combination	259,739
Sale (recognized in costs of real estate sold and construction services) (see Note 27)	(111,750)
Cancelled sales	31,636
Balance at end of year	₱179,625

Real estate inventories recognized as costs of sales amounted to ₱909.1 million in 2023 (see Note 27). Cost of real estate sales includes acquisition cost of land, amount paid to contractors, development costs and other costs attributable to bringing the real estate inventories to their intended condition. There are no borrowing costs capitalized in 2023.

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱883.1 million and ₱128.2 million as at December 31, 2023 and 2022, respectively, have been released to UGC and PCC in trust for the banks. UGC and PCC are accountable to the banks for the inventories under trust or its sales proceeds.

Finished goods mainly represent roofing and other steel products of UGC.

The cost of spare parts and other inventories carried at net realizable value amounted to ₱107.5 million and ₱112.3 million as at December 31, 2023 and 2022, respectively. The Company has allowance for inventory write-down amounting to ₱6.7 million and ₱14.1 million as at December 31, 2023 and 2022, respectively.

Cost of inventories sold, presented as "Inventories used" under "Cost of sales", amounted to ₱10,587.6 million, ₱10,694.9 million and ₱9,189.2 million in 2023, 2022 and 2021, respectively (see Note 27).

Depreciation charges amounting to ₱19,241 were capitalized to "Land and development" in 2023.

There are no real estate inventory used as collateral or pledged as security to secure the borrowings of the Group.

13. Investment in and Advances to Associates and Joint Ventures

The Company's associates and joint ventures consist of the following:

	Percentage of Ownership			
	2023		2022	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PPHC [a and h]	–	–	35.42	42.71
APHI [b and h]	–	–	26.51	28.15
Coral Way [c and h]	–	–	23.75	29.27
PHI [d and h]	–	–	–	20.88
Diniwid Beach Hotel Corp. (DBHC) [e]	–	**36.46**	–	–
First Batangas Hotel Corp (FBHC) [e]	–	**35.83**	–	–
Nemo Beach Hotel Corp. (NBHC) [e]	–	**16.93**	–	–
First Commonwealth Hotel Corp.(FCHC) [e]	–	**16.93**	–	–
South Forbes Silangan Hotel Corp. (SFSHC) [e]	–	**25.39**	–	–
Inphin8 Space, Inc. (InPHIN8) [f]	–	**34.56**	–	–
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [g]	–	**37.61**	–	35.92
PT Ind-Phil Management (IPM) [g]	–	**51.69**	–	46.17

[a] *Indirect ownership through API and APHI.*
[b] *Indirect ownership through UGC.*
[c] *Indirect ownership through PHI.*
[d] *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
[e] *Indirect ownership through PHI.*
[f] *Indirect ownership through PPHC.*
[g] *Indirect ownership through PEHI.*
[h] *Subsidiaries staring July 17, 2023 and accounted for as business combination under common control for which pooling of interest method was used.*

Investment in Associates

The Company's associates are all incorporated in the Philippines. The reporting period of the associates ends at December 31 as the end of reporting period. The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	2023	2022
DBHC	**₱35,178**	₱–
FBHC	**21,952**	–
NBHC	**10,147**	–
FCHC	**8,774**	–
SFSHC	**29,314**	–
InPHIN8	**2,454**	–
PPHC	–	₱366,537
APHI	–	173,191
PHI	–	132,476
Coral Way	–	62,913
	₱107,819	₱735,117

The movements and details of the investments in associates are as follows:

	2023	2022
Acquisition costs		
Balances at beginning of year	**₱1,535,212**	₱1,535,212
Reclassification from advances to associate	**328,110**	–
Acquisitions through business combination	**149,471**	–
Reclassification to subsidiaries	**(1,863,322)**	–
Balances at end of year	**149,471**	1,535,212
Accumulated equity in net losses		
Balances at beginning of year	**(825,859)**	(883,407)
Equity in net earnings (loss)	**(76,568)**	57,548
Acquisition through business combination	**(41,231)**	–
Reclassification to subsidiaries	**902,006**	–
Balances at end of year	**(41,652)**	(825,859)
Share in other comprehensive income of associates		
Balances at beginning of year	**25,764**	27,493
Acquisition through business combination	**(9,608)**	–
Share in other comprehensive loss	**(201)**	(1,729)
Reclassification to subsidiaries	**(15,955)**	–
Balances at end of year	–	25,764
	₱107,819	₱735,117

The aggregate comprehensive income (loss) of associates that are not individually material follows:

	2023	2022	2021
Share in net income (loss)	**(₱76,568)**	₱57,548	₱28,614
Share in other comprehensive income (loss)	**(201)**	(1,729)	13,675
Share in total comprehensive income (loss)	**(₱76,769)**	₱55,819	₱42,289

InPHIN8
On June 11, 2019, InPHIN8 was incorporated and registered with the SEC. InPHIN8 is a company incorporated in the Philippines and involved in co-working space services thru providing facilities and equipment in connection therewith, extending all relevant support services, and undertaking any and all activities which may be required for the purpose of said business.

For the year 2023, PPHC has a total share in net income amounting to ₱1.8 million.

PPHC
Pursuant to the deeds of assignment dated December 28, 2018, the Company and APHI transferred real properties in exchange for PPHC shares. PPHC will issue 65,622 shares to the Company at par value of ₱5,000.00 per share in exchange for the real property with appraised value of ₱328.1 million, costing ₱20.0 million. In 2018, the Company and APHI applied for a tax-free exchange pursuant to Section 40(C) of the Tax Code, as amended. In addition, the Company recorded a gain on sale of ₱164.2 million from the tax-free exchange.

As at December 31, 2022, the Transfer of Certificate of Title over the property has yet to be transferred in the name of PPHC. PPHC is yet to issue the shares to the Company and APHI, pending approval of the request for increase in capital stock of PPHC by SEC as at March 3, 2023.

On January 18, 2023, the Company advanced the amount of ₱276.0 million to PPHC for future subscription in common shares.

On April 13, 2023, the request for increase in capital stock of PPHC with SEC was approved. The Company's advances to PPHC amounting to ₱328.1 million was converted to investment in PPHC and this resulted to change in ownership interest from 35.42% to 40.10%.

The movement in advances to associate is as follows:

	2023	2022
Balance at beginning of year	**₱328,110**	₱328,110
Conversion to subsidiary	**(328,110)**	–
Advances during the year	**276,000**	–
Reclassification as a result of being a subsidiary	**(276,000)**	–
Acquisition through business combination	**6,299**	–
Payments	**(5,000)**	–
Balance at end of year	**₱1,299**	₱328,110

Interests in Joint Ventures
PHINMA Saytanar and IPM were incorporated in Myanmar and Indonesia, respectively. The reporting period of the joint ventures end at December 31. The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	2023	2022
IPM	**₱509,406**	₱349,410
PHINMA Saytanar	**–**	–
	₱509,406	₱349,410

The movements and details of the investments in joint venture are as follows:

	2023	2022
Acquisition costs:		
Balance at beginning of year	**₱344,769**	₱235,503
Additions	**165,024**	109,266
Balance at end of year	**509,793**	344,769
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**4,641**	4,175
Equity in net earnings (losses)	**(5,028)**	466
Balance at end of year	**(387)**	4,641
	₱509,406	₱349,410

The Company has no material joint venture as at December 31, 2023 and 2022.

The aggregate comprehensive income (loss) of joint ventures that are not individually material follows:

	2023	2022	2021
Share in net income (loss) / total comprehensive income (loss)	**(₱5,028)**	₱466	₱4,326

Following are the status of operations and significant transactions of the interests in joint ventures:

(a) PHINMA Saytanar

In February 2018, PEHI entered into a Joint Venture Agreement (JVA) with T K A H Company Ltd. (TKAH) to establish PHINMA Saytanar in Yangon, Myanmar to provide training in vocational courses in caregiving, particularly in the care of children, the elderly, persons with disabilities, and other cases requiring specialized care. Through the joint venture, the parties aim to provide various technical vocational education and training (TVET) programs and upon the issuance and clarification of rules and regulations in Myanmar, open a higher educational institution or college that will offer various undergraduate courses including courses in Business, Information Technology, Hospitality, Nursing, Healthcare and other disciplines.

PHINMA Saytanar have an initial capital stock of US$50,000, consisting of 100 shares at US$500 per share. Fifty percent shall be owned by PEHI, while the remaining fifty percent shall be owned by TKAH.

In May 2020, PHINMA Saytanar has ceased its operations pending formal filing with regulators.

(b) IPM

On February 11, 2019, PEHI signed a Joint Venture Agreement with Tripersada Global Manajemen to form IPM for a 66.00% ownership of PEHI and 34.00% owned by Tripersada. In February 2019, PEHI invested US$2.6 million (equivalent to ₱133.2 million) into the joint venture. IPM has commenced its operations in June 2019.

On September 19, 2022, PEHI infused additional capital to IPM amounting to ₱109.2 million. This resulted to change in ownership interest from 66% to 68.72%.

On December 6, 2023, PEHI infused additional capital to IPM amounting to ₱165.0 million. No change in the ownership interest of 68.72%.

14. Financial Assets at FVPL

This account consists of:

	2023	2022
Investment in preferred shares	**₱1,916,238**	₱2,209,088

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US$50.0 million via preferred shares in Song Lam. Song Lam manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of PCC, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company's subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US$5.0 million was made on November 26, 2019 and the 90% balance or US$45.0 million was paid on May 18, 2021. The total US$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive an annual fixed cumulative dividends of 7.5%, independent of Song Lam's business outcome and regardless of operating business results of Song Lam and the existence of retained earnings. The preferred shares shall be convertible to common shares after two (2) years from issuance thereof. The Parent Company may convert the preferred shares between the last day of the second (2nd) year after issuance thereof until the end of the seventh (7th) year following said issuance.

The Parent Company has the option to sell the preferred shares or converted shares to Vissai, the Sponsor or Song Lam at a price equivalent to seventy-five million US Dollars (US$75,000,000.00), less the amount of preferred dividends received by the Parent Company. The put option may be exercised by the Parent Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

The Parent Company performs valuation of embedded derivatives and financial assets at FVPL at every reporting date using Cox-Ross-Rubenstein Binomial Lattice Model (Binomial Model). This requires an estimation of the expected future cash flows from the investee and applying a discount rate to calculate the present value of these cash flows. The discount rate uses the weighted average cost of capital (WACC) which incorporates the median debt-to-equity ratios and median beta of comparable companies as well as applying an alpha based on small-risk premium. The cash flow projections cover a five-year period.

The significant assumptions used in the fair value computation as at 2023 and 2022 are as follows:
a. The pre-tax discount rate applied to cash flow projection is 17.11% and 16.20%, respectively.
b. The explicit forecast period used in discounting cash flows in 2023 and 2022 is 5 years.
c. The terminal value in the discounted cash flow uses 5.8% and 6.20% long-term growth rate based on expected Vietnam Gross Domestic Product (GDP) growth rate in 2023 and 2022, respectively.
d. The binomial model uses 38.06% and 44.23% average volatility of comparable companies' quarterly historical prices and used interquartile range to consider outliers in 2023 and 2022, respectively.

e. The option-adjusted spread computed at inception from the binomial model is 9.93% in 2023 and 2022.
f. The risk-free rate used in the binomial model is 3.77% and 3.82% in 2023 and 2022, respectively.

The unrealized gain (loss) on change in fair value of financial assets at FVPL amounted to ₱292.8 million, ₱103.8 million and ₱172.4 million in 2023, 2022 and 2021, respectively.

The derivative asset arising from the put option amounted to ₱889.7 million and ₱648.1 million as at December 31, 2023 and December 31, 2022, respectively. The unrealized gain on change in fair value of the derivative asset amounted to ₱241.6 million, ₱137.6 million and ₱53.1 million in 2023, 2022 and 2021, respectively.

15. Financial Assets at FVOCI

This account consists of:

	2023	2022
Investment in club shares	**₱70,550**	₱41,000
Non-listed equity securities	**92,558**	81,959
	₱163,108	₱122,959

Investment in equity investments pertain to shares of stock and club shares which are not held for trading as shown below.

	2023	2022
Unquoted		
Beacon Property Ventures, Inc.	**₱65,473**	₱64,335
Manila Cordage	**14,773**	11,045
Others	**9,695**	6,579
Quoted		
Manila Polo Club	**55,000**	30,000
Alabang Country Club, Inc. B	**15,000**	10,500
Others	**3,167**	500
	₱163,108	₱122,959

The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature. No dividends were received in 2023 and 2022 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**₱50,920**	₱38,167
Acquisition through business combination	**(14,280)**	–
Gain due to changes in fair value of investment in equity instruments	**27,370**	13,153
Sale of equity instruments	**(238)**	(400)
Balance at end of year	**₱63,772**	₱50,920

16. Property, Plant and Equipment

This account consists of:

	January 1, 2023	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2023
Cost						
Land	**₱3,271,394**	**₱62,699**	**₱854,490**	**₱–**	**₱–**	**₱4,188,583**
Plant site improvements	**3,472,872**	**–**	**–**	**–**	**824,050**	**4,296,922**
Buildings and improvements	**4,549,537**	**806,453**	**1,192,769**	**–**	**39,478**	**6,588,237**
Machinery and equipment	**2,495,712**	**180,898**	**312,643**	**(1,035)**	**49,356**	**3,037,574**
Transportation and other equipment	**602,384**	**328,534**	**104,031**	**(14,693)**	**–**	**1,020,256**
Linens, curtains and draperies	**–**	**28,609**	**3,181**	**–**	**–**	**31,790**
	14,391,899	**1,407,193**	**2,467,114**	**(15,728)**	**912,884**	**19,163,362**
Less Accumulated Depreciation						
Plant site improvements	**375,831**	**–**	**144,304**	**–**	**–**	**520,135**
Buildings and improvements	**1,592,772**	**411,459**	**215,078**	**–**	**–**	**2,219,309**
Machinery and equipment	**1,842,164**	**139,284**	**226,058**	**(1,035)**	**–**	**2,206,471**
Transportation and other equipment	**404,896**	**274,743**	**46,417**	**(6,298)**	**–**	**719,758**
Linens, curtains and draperies	**–**	**26,404**	**790**	**–**	**–**	**27,194**
	4,215,663	**851,890**	**632,647**	**(7,333)**	**–**	**5,692,867**
	10,176,236	**555,303**	**1,834,467**	**(8,395)**	**912,884**	**13,470,495**
Construction in progress	**1,406,151**	**95**	**588,721**	**–**	**(985,472)**	**1,009,495**
Net Book Value	**₱11,582,387**	**₱555,398**	**₱2,423,188**	**(₱8,395)**	**(₱72,588)**	**₱14,479,990**

	January 1, 2022	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2022
Cost						
Land	₱3,141,322	₱–	₱130,072	₱–	₱–	₱3,271,394
Plant site improvements	3,473,015	–	–	(10,884)	10,741	3,472,872
Buildings and improvements	4,147,397	–	408,070	(5,930)	–	4,549,537
Machinery and equipment	2,271,102	–	224,610	–	–	2,495,712
Transportation and other equipment	560,501	–	46,622	(4,739)	–	602,384
	13,593,337	–	809,374	(21,553)	10,741	14,391,899
Less Accumulated Depreciation						
Plant site improvements	246,493	–	140,222	(10,884)	–	375,831
Buildings and improvements	1,460,651	–	138,051	(5,930)	–	1,592,772
Machinery and equipment	1,633,050	–	209,114	–	–	1,842,164
Transportation and other equipment	366,988	–	41,082	(3,174)	–	404,896
	3,707,182	–	528,469	(19,988)	–	4,215,663
	9,886,155	–	280,905	(1,565)	10,741	10,176,236
Construction in progress	779,711	–	637,181	–	(10,741)	1,406,151
Net Book Value	₱10,665,866	₱–	₱918,086	(₱1,565)	₱–	₱11,582,387

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2023.

Interest capitalized as part of “Construction in progress” account amounted to ₱106.6 million and ₱42.6 million at a capitalization rate ranging from 5.575% to 8.45% and 3.0% to 7.1% in 2023 and 2022, respectively.

Unpaid portion of the acquired property and equipment included under “Accounts payable and other current liabilities” in the consolidated statements of financial position amounted to ₱516.7 million and ₱14.5 million as at December 31, 2023 and December 31, 2022, respectively.

Certain property and equipment of AU, COC, UI, UPANG, PCC, UGC, Coral Way and Krypton Esplanade Hotel Corporation (KEHC) with aggregate amount of ₱5,053.3 million and ₱4,922.4 million as at December 31, 2023 and 2022, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

In 2023, the Company sold various property and equipment with aggregate carrying value of ₱8.4 million for ₱10.8 million, resulting to a gain of ₱2.4 million.

In 2022, the Company sold various property and equipment with aggregate carrying value of ₱1.6 million for ₱2.1 million, resulting to a gain of ₱0.5 million.

In 2021, the Company sold various property and equipment with aggregate carrying value of ₱3.2 million for ₱3.4 million, resulting to a gain of ₱0.2 million.

17. **Investment Properties**

This account consists of:

	January 1, 2023	**Acquisition through business combination**	**Additions**	**Disposals**	**December 31, 2023**
Cost:					
Land	**₱614,504**	**₱19,200**	**₱3,200**	**(₱12,164)**	**₱624,740**
Buildings for lease	**85,625**	**68,240**	**237,993**	**–**	**391,858**
	700,129	**87,440**	**241,193**	**(12,164)**	**1,016,598**
Less accumulated depreciation -					
Buildings for lease	**72,838**	**11,679**	**6,610**	**–**	**91,127**
	₱627,291	**₱75,761**	**₱234,583**	**(₱12,164)**	**₱925,471**

	January 1, 2022	Additions	Disposals	December 31, 2022
Cost:				
Land	₱610,724	₱3,780	₱–	₱614,504
Buildings for lease	95,625	–	(10,000)	85,625
	706,349	3,780	(10,000)	700,129
Less accumulated depreciation -				
Buildings for lease	78,911	760	(6,833)	72,838
	₱627,438	₱3,020	(₱3,167)	₱627,291

The profits from the investment properties for the years ended December 31 are as follows:

	2023	2022	2021
Rental income	**₱103,348**	₱69,648	₱69,673
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 28 and 31)	**(6,610)**	(760)	(1,231)
	₱96,738	₱68,888	₱68,442

The fair values of the investment properties amounted to ₱4,042.1 million and ₱2,919.4 million as at December 31, 2023 and 2022, respectively, based on valuations performed by accredited independent appraisers on various dates from 2019 to 2023.

The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱165,000–₱255,000

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

While fair value of some investment properties was not determined as at December 31, 2023, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2023.

PSHC's land amounting to ₱220.0 as at December 31, 2023 and 2022 is used as a security for its long-term debt (see Note 23). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The Company sold certain investment properties and recognized a net gain of ₱7.8 million, ₱32.6 million and nil in 2023, 2022 and 2021, respectively.

18. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Trademark with Indefinite Useful Life	Goodwill	Total
Cost					
At January 1, 2023	₱165,638	₱85,650	₱–	₱2,221,068	₱2,472,356
Acquisition through business combination	–	25,130	15,335	4,122	44,587
Additions	–	32,391	–	–	32,391
Reclassification (Note 16)	–	72,588	–	–	72,588
At December 31, 2023	**₱165,638**	**₱215,759**	**₱15,335**	**₱2,225,190**	**₱2,621,922**
Amortization and Impairment					
At January 1, 2023	₱165,638	₱49,861	₱–	₱403,132	₱618,631
Acquisition through business combination	–	15,275	6,541	–	21,816
Amortization (see Note 31)	–	28,816	1,179	–	29,995
At December 31, 2023	**₱165,638**	**₱93,952**	**₱7,720**	**₱403,132**	**₱670,442**
Net Book Value					
At December 31, 2023	**₱–**	**₱121,806**	**₱7,616**	**₱1,822,058**	**₱1,951,480**
At December 31, 2022	₱–	₱35,789	₱–	₱1,817,936	₱1,853,725

The Company performs its annual impairment test close to year-end, after finalizing the annual financial budgets and forecasts. The impairment test of goodwill is based on VIU calculations that uses the discounted cash flow model. Cash flow projections are based on the most recent financial budgets and forecast. Discount rates applied are based on market weighted average cost of capital with estimated premium over cost of equity. The carrying amount of goodwill allocated to each of the CGUs and key assumptions used to determine the recoverable amount for the different CGUs are discussed in Note 5.

Based on the impairment test performed for each of the CGUs, there was no impairment loss in 2023, 2022 and 2021.

19. **Other Noncurrent Assets**

This account consists of:

	2023	2022
Advances to suppliers and contractors	**₱395,376**	₱160,400
Deposits in escrow - bonds	**105,296**	–
Refundable and other deposits (see Note 36)	**21,138**	10,193
Creditable withholding taxes	**7,812**	7,812
Indemnification assets (see Note 6)	**6,412**	38,114
Others	**24,790**	6,857
	₱560,824	₱223,376

Advances to suppliers and contractors
This consists of amounts advanced to various building contractors, suppliers and utility providers while construction is in progress and are recouped proportionately upon every progress billing payment.

Deposits in Escrow - Bonds
This pertains to deposits made by PPHC and held by the escrow agent and will be returned once the conditions, as stated in the escrow agreement, is fulfilled. PPHC has an escrow agreement with HDMF, with Security Bank Corporation (SBC) Trust Division as the escrow agent , whereby HDMF, in relation to the conversion of the CTS to real estate mortgage, allowed PPHC to substitute the retention held by HDMF with an escrow account.

In 2022, PPHC has an escrow agreement with Rizal Commercial Banking Corporation (RCBC) and Security Bank and Trust Corporation on incentivized compliance provision for Metrotowne Las Piñas and Phinma Maayo San Jose projects.

Refundable and other deposits
Refundable deposits mainly pertain to deposits under operating lease and construction. Other deposits consist of deposits made for Company's utilities which are to be applied to the last billing of the utilities provider. The current portion is included in "Input value-added taxes and other current assets" amounting to ₱333.4 million and ₱67.3 million in 2023 and 2022, respectively.

20. **Notes Payable**

This account consists of notes payable of the following subsidiaries:

	2023	2022
PCC	**₱2,949,000**	₱1,775,000
PPHC	**3,494,468**	–
UGC	**1,152,796**	1,004,103
PSEC	**30,000**	–
	₱7,626,264	₱2,779,103

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 4.0% to 17.0% and 2.60% to 4.05% in 2023 and 2022, respectively.

Interest expense incurred from notes payable amounted to ₱302.6 million, ₱92.3 million and ₱122.5 million in 2023, 2022 and 2021, respectively (See Note 32).

21. Trade and Other Payables

This account consists of:

	2023	2022
Trade	**₱1,275,683**	₱1,107,394
Accruals for:		
Professional fees and others	**920,957**	591,946
Commission	**193,246**	–
Personnel costs (Note 30)	**148,148**	113,109
Freight, hauling and handling	**147,476**	45,797
Interest (see Notes 23 and 32)	**132,140**	73,551
Processing cost	**12,712**	–
Dividends	**254,258**	185,687
Deposits from buyers	**170,143**	–
Retentions payable	**152,373**	–
Deposit liabilities	**61,608**	4,874
Liability from acquisition of land (see Note 39)	**12,943**	–
Others	**90,879**	27,992
	₱3,572,566	₱2,150,350

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day terms.

Accrued expenses and dividends are normally settled within the next financial year.

Dividends payable pertains to dividends not yet claimed by various stockholders. These are expected to be claimed by various stockholders within the next financial year.

Deposits from buyers pertains to equity payments on sale of condominium units and parking slots prior to recognition of revenue.

Retentions payable, representing 10.0% of each progress payments to suppliers and contractors retained by PPHC are released upon fulfillment of certain requirements.

Deposit liabilities mainly comprises laboratory deposits, student development fund and alumni fees which are refundable to students. These represent collections from (i) graduating students for their alumni membership fees and alumni identification cards; (ii) Commission on Higher Education (CHED) for their scholars; and (iii) students for their student organizations and club fees. Organizational and club fees are used to defray costs of their activities, printing and other related expenses. It also represents PPHC's rents collected on behalf of the unit owner under rental management agreement, amounts collected from customers for processing of title and registration of purchased units and security deposits for water subscription.

Other liabilities pertain to other unpaid general and administrative expenses which are normally settled throughout the financial year.

22. Contract Liabilities

This account consists of:

	2023	2022
Unearned revenues	**₱1,487,609**	₱1,327,343
Customers' deposits	**321,814**	89,294
	₱1,809,423	₱1,416,637

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year. The amount of unearned revenues for a term shall be divided equally by the number of months covered by the term (five months each for the 1st and 2nd semesters and two months for summer). The resulting amount shall be recorded as the amount of tuition and school fees for the month, net of amortization of deferred scholarship and discounts. Total deferred scholarships and discounts amounted to ₱203.5 million and ₱225.4 million as at December 31, 2023 and 2022 presented under the "Input value-added taxes and other current assets" accounts in the statements of financial position.

Customers' deposits pertains to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the next financial year.

23. Long-term Debt

This account consists of the Parent Company's fixed rate bonds and the Company's long-term loans.

<u>PHN Fixed Rate Bonds due 2024</u>

	2023	2022
Principal	**₱3,000,000**	₱3,000,000
Less: debt issuance cost	**10,802**	27,223
	2,989,198	2,972,777
Less current portion - net of debt issuance cost	**(2,989,198)**	–
	₱–	₱2,972,777

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to two Billion Pesos (₱2,000,000,000.00), with an oversubscription option of up to One Billion Pesos (₱1,000,000,000.00) at an offer price of 100% of face value. This bond offering was authorized by resolutions of the BOD of the Parent Company on March 2, 2021 and the Executive Committee of the Parent Company on April 30, 2021. The Certificate of Permit to offer securities for sale was issued by SEC on August 10, 2021. The interest rate was set at 3.5335% and the offer period commenced at 9:00 a.m. on August 10, 2021 and ended at 5:00 p.m. on August 16, 2021. The Parent Company appointed China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	2023	2022
Beginning of year	**₱27,223**	₱42,984
Amortization	**(16,421)**	(15,761)
End of year	**₱10,802**	₱27,223

Long- Term Loans

	2023	2022
PHN	**₱2,930,000**	₱1,950,000
PEHI	**1,957,160**	2,025,080
PCC	**1,857,000**	1,288,365
UGC	**912,500**	962,500
UPANG	**597,875**	226,933
SWU	**581,000**	589,000
PPHC	**491,875**	–
AU	**394,907**	221,497
UI	**380,000**	386,000
COC	**320,938**	150,965
SJC	**270,000**	–
Coral Way	**214,000**	–
Phinma Solar	**201,831**	97,222
PSHC	**112,000**	120,982
	11,221,086	8,018,544
Less debt issuance cost	**71,218**	56,575
	11,149,868	7,961,969
Less current portion - net of debt issuance cost	**810,143**	652,399
	₱10,339,725	₱7,309,570

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PCC, PEHI, AU, COC, UPANG, UI, SWU, PPHC and Coral Way for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at December 31, 2023 and December 31, 2022, the Company is in compliance with the required financial ratios and other loan covenants.

Certain assets amounting ₱5,053.3 million and ₱4,922.4 million as at December 31, 2023 and 2022, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Notes 16 and 17):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PCC	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land
PPHC	Real estate ICR under receivable purchase agreements
Coral Way	Real estate mortgage on a hotel building
KEHC	Assignment of the lease rights over the land where the hotel is constructed and real estate mortgage over the hotel building and its permanent improvements

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	2023	2022
Beginning of year	**₱56,575**	₱62,043
Additions	**30,675**	12,440
Acquisition through business combination	**1,587**	–
Amortization	**(17,619)**	(17,908)
End of year	**₱71,218**	₱56,575

Interest expense (including amortization of debt issuance costs) pertaining to the long-term debt was presented as part of “Interest expense and other financing charges” account in the consolidated statements of income amounting to ₱630.6 million, ₱556.2 million and ₱502.3 million in 2023, 2022 and 2021, respectively (see Note 32).

The details of long-term loans are summarized below:

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2023	Outstanding Amounts[10]: December 31, 2022
PEHI	₱1,500,000[1]	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	**₱420,692**	₱433,375
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**751,087**	769,255
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**425,524**	441,901
PEHI	364,000[21]	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment will commence on March 27, 2022.	December 7, 2025	Nominal interest rate of 4.85%	December 27, 2021	364,000	**340,780**	351,016

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2023	Outstanding Amounts[10] December 31, 2022
COC	₱100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.	March 27, 2013	₱50,000	**₱–**	₱1,251
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**–**	1,284
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**120,920**	123,003
COC	25,000[4]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**–**	25,000
COC	200,000[27]	February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.69 million from May 10, 2025 to November 10, 2032 and; ₱97.5 million upon maturity on February 10, 2033	February 10, 2033	Interest payable quarterly in arrears at 7.3170% per annum fixed up to February 10, 2028, and 7.6258% per annum thereafter up to February 10, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	February 10, 2023	150,000	**149,113**	–

(Forward)

				Terms					Outstanding Amounts[10]	
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**December 31, 2023**	December 31, 2022
COC		February 1, 2023	CBC	Quarterly principal payments as follows: ₱0.565 million from May 10, 2025 to November 10, 2032 and; ₱32.5 million upon maturity on February 10, 2033	February 10, 2033	Interest payable quarterly in arrears at 7.2824% per annum fixed up to February 10, 2028, and 7.5897% per annum thereafter up to February 10, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	March 17, 2023	₱50,000	**₱49,697**	₱–
UI	200,000[5]	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year and ₱37.5 million per quarter for the 10th year.	December 20, 2027	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%; or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	December 20, 2017	100,000	**89,289**	92,088
UI	200,000[5]	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per agreement both the first and second drawdown will be repaid at the same dates and terms.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	April 24, 2018	100,000	**89,653**	92,556
UI	200,000[5]	October 14, 2022	RCBC	Quarterly principal payments as follows: ₱1.5 million per quarter from the beginning of the 3rd year drawn	December 18, 2032	For the first seven years, from the initial drawn date to the end of the 7th year. Interest shall be based on the sum of the applicable 7-year benchmark and margin. For the next 3 years: from the beginning of the 8th year to final maturity date - sum of the applicable 3-year benchmark and the margin.	October 18, 2022	200,000	**198,957**	198,582

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2023	Outstanding Amounts[10] December 31, 2022
AU	₱57,000[6]	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	₱53,700	**₱10,700**	₱21,351
AU	100,000[6]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**93,723**	99,315
AU	100,000[6]	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and four quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**89,606**	99,357

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2023	Outstanding Amounts[10]: December 31, 2022
AU	₱200,000[27]	February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.1 million from June 1, 2025 to December 1, 2032 and; ₱65.0 million upon maturity on March 1, 2033	March 1, 2033	Interest payable quarterly in arrears at 7.3900% per annum fixed up to March 1, 2028, and 7.7019% per annum thereafter up to March 1, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	March 1, 2023	₱100,000	**₱98,794**	₱–
AU		February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.1 million from June 1, 2025 to December 1, 2032 and; ₱65.0 million upon maturity on March 1, 2033	March 1, 2033	Interest payable quarterly in arrears at 7.7601% per annum fixed up to March 1, 2028, and 8.8076% per annum thereafter up to March 1, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	July 11, 2023	100,000	**100,000**	–
UPANG	190,000[7]	March 27, 2018	CBC	32 unequal quarterly payments as follows: ₱1.9 million from June 27, 2020 to March 27, 2022; ₱2.9 million from June 27, 2022 to March 27, 2025; ₱4.8 million from June 27, 2025 to March 27, 2027; and ₱25.7 million from June 27, 2027 to March 27, 2028.	March 27, 2028	Interest shall be payable quarterly in arrears from February 27, 2018 to June 27, 2018 (92 days) shall be at 6.50% inclusive of GRT fixed for the first five years. Interest shall be based on five-year PDST-R2 (5.22% + 122 bps + 1% GRT. The interest rate for the remaining five years of the loan shall be the PDST-R2 plus a spread of up to 125 bps or 6.50% whichever is higher.	March 27, 2018	190,000	**154,311**	165,554

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2023	Outstanding Amounts[10] December 31, 2022
UPANG	₱200,000[27]	February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.1 million from May 27, 2025 to November 27, 2032 and; ₱65.0 million upon maturity on February 27, 2033	February 27, 2033	Interest payable quarterly in arrears at 7.3871% per annum fixed up to February 27, 2028, and 7.6988% per annum thereafter up to February 27, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	February 27, 2023	₱100,000	**₱99,401**	₱–
UPANG		February 1, 2023	CBC	Quarterly principal payments as follows: ₱0.57 million from May 27, 2025 to November 27, 2032 and; ₱32.5 million upon maturity on February 27, 2033	February 27, 2033	Interest payable quarterly in arrears at 7.4081% per annum fixed up to February 27, 2028, and 7.7207% per annum thereafter up to February 27, 2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	July 3, 2023	50,000	**49,672**	–
UPANG		February 1, 2023	CBC	31 quarterly installments of ₱0.564 million from May 27, 2025 to November 27, 2032, full payment of ₱32.5 million upon maturity	February 27, 2033	Interest payable quarterly in arrears @ 7.3775% p.a. fixed up to 2/27/2028, and 7.6888% p.a. thereafter up to February 27, 2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	December 13, 2023	50,000	**49,632**	–

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2023	Outstanding Amounts[10]: December 31, 2022
UPANG Urdaneta	₱100,000[7]	September 29, 2015	RCBC	28 quarterly payments, to commence at the end of the 13th quarter from the initial drawdown date.	September 29, 2025	Interest shall be payable quarterly in arrears. i. Fixed rate for the first seven (7) years of the term based on three-day average of seven-year PDST-R2 + 1.42%, subject to repricing at the end of the seventh year; and ii. On the last three years of the term, the interest rate shall be based on the interest rate then current or the three-day average of three-year PDST-R2 + 1.42%, whichever is higher.	September 29, 2015	₱100,000	**₱42,979**	₱60,488
UPANG Urdaneta	300,000	April 25, 2023	RCBC	31 quarterly payments of ₱1.5 million with the remaining balance of ₱84.5 million to be paid on maturity date. First principal payment will commence on September 1, 2025.	June 1, 2033	Interest payable quarterly in arrears at 7.0200% per annum fixed up to June 1, 2028 and 7.3160% thereafter up to June 1, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	June 1, 2023	130,000	**129,157**	–
				31 quarterly installments of ₱0.790 million from September 1, 2025 to March 1, 2033, full payment of ₱45.5 million upon maturity	June 1, 2033	Interest payable quarterly in arrears @ 7.652% p.a. fixed up to June 1, 2028 and 7.9750% thereafter up to June 1 2030.From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps..	September 8, 2023	70,000	**69,538**	–
SWU	400,000[8]	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018	100,000 200,000 100,000	**96,750** **194,000** **97,250**	97,915 195,831 97,915

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2023	Outstanding Amounts[10]: December 31, 2022
SWU	₱200,000[8]	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	₱200,000	**₱193,000**	₱196,829
SJC	110,000[28]	April 25, 2023	RCBC	31 quarterly payments of ₱1.2 million with the remaining balance of ₱71.5 million to be paid on maturity date. First principal payment will commence on August 3, 2025	May 3, 2033	Interest payable quarterly in arrears at 7.2320% per annum fixed up to May 3, 2028 and 7.5340% thereafter up to May 3, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	May 3, 2023	110,000	**109,302**	–
SJC	70,000[28]	April 25, 2023	RCBC	31 quarterly payments of ₱0.79 million with the remaining balance of ₱45.5 million to be paid on maturity date. First principal payment will commence on August 3, 2025	May 3, 2033	Interest payable quarterly in arrears at 7.0670% per annum fixed up to May 3, 2028 and 7.3650% thereafter up to May 3, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	May 31, 2023	70,000	**69,548**	–
SJC	90,000[28]	April 25, 2023	RCBC	31 quarterly payments of ₱1.0 million with the remaining balance of ₱58.5 million to be paid on maturity date. First principal payment will commence on August 3, 2025	May 3, 2023	Interest payable quarterly in arrears at 7.5080% per annum fixed up to May 3, 2028 and 7.824% thereafter up to May 3, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	July 5, 2023	90,000	**89,405**	–
PHN	2,000,000[9]	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.	May 21, 2027	Interest rate is equivalent to: i) the applicable 10-year PDST-R2 Benchmark Rate plus an interest spread of 125 basis points per annum (1.25% p.a.), and ii) 6.25% p.a., whichever is higher.	May 23, 2017	2,000,000	**1,923,946**	1,942,344
PHN	1,000,000[29]	July 11, 2023	CBC	Principal repayment of ₱50.0 million after 1 year of initial drawdown date and balance on principal amount on maturity date	July 17, 2025	With regular interest of 7.8557%. Interest to be paid on quarterly basis.	July 17, 2023	1,000,000	**994,151**	–

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2023	Outstanding Amounts[10]: December 31, 2022
UGC	₱1,000,000[22]	February 18, 2022	BDO	Principal amortization commence three months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity	February 18, 2027	Interest rate is based on 3Y BVAL 3.3618+ spread 1.25%= 4.6118% + 5% GRT = 4.8545%	February 18, 2022	₱1,000,000	**₱906,247**	₱954,206
PCC	875,000[14,15]	June 1, 2018	SBC	14 equal quarterly payments [16]	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018	160,000	–	45,567
							January 03, 2019	160,000	–	45,602
							January 22, 2019	59,000	–	16,833
							January 25, 2019	65,000	–	18,549
							April 26, 2019	18,555	–	5,281
							May 21, 2019	81,439	–	23,234
							July 5, 2019	251,977	–	71,888
							September 4, 2019	51,418	–	14,667
PCC	720,000[17]	February 26, 2021	SBC	Eight quarterly principal payments of ₱10.3 million, nine quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	369,363	**203,270**	286,005
PCC		February 26, 2021	SBC	8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and remaining balance to be paid at maturity date		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		₱350,637	**₱192,964**	₱271,504

(Forward)

		Date of Loan		Terms					Outstanding Amounts[10]	
Debtor	**Loan Amount**	**Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**December 31, 2023**	December 31, 2022
PCC	₱500,000[18]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from September 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	₱500,000	**₱463,284**	₱484,899
PCC	1,000,000[30]	September 5, 2023	SBC	Eight quarterly principal payments of ₱10.0 million, Four quarterly payments of ₱50.0 million and four quarterly payments of ₱180.0 million. First principal payment will commence on December 7, 2023.	September 7, 2027	Interest rate of 7.2056% fixed rate for the first 2 years, subject to repricing at the end of the 2nd year (2+2 structure)	September 7, 2023	1,000,000	**976,313**	–
Phinma Solar	20,000[19]	June 25, 2021	DBP	Principal repayment to commence at the end of the fifth (5th) quarter from date of Initial Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	4.875% (4.924% GRT inc.) for the 1st 5 years. Next 5 years based on the relevant 5YR BVAL + 1% spread with a floor rate not lower than the rate prior to repricing (4.875%). Interest to be paid on quarterly basis	August 31, 2021	20,000	**17,125**	18,164
Phinma Solar	80,000[23]	April 21, 2022	DBP	Principal repayment to commence at the end of the sixth (6) months from date of Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	With regular interest of 6.37710%	April 21, 2022	80,000	**68,447**	78,378

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2023	Outstanding Amounts[10] December 31, 2022
Phinma Solar	₱50,000[31]	August 2, 2023	DBP	Principal repayment to commence on August 13, 2023 from date of drawdown and principal shall be payable in 33 equal quarterly installments.	August 13, 2031	With regular interest of 7.31470%	August 2, 2023	₱50,000	**₱46,601**	₱–
PHINMA Solar	40,000[31]	November 10, 2023	DBP	Principal repayment to commence on November 13, 2023 and shall be payable in 32 equal quarterly installments.	August 13, 2031	With regular interest rate of 7.5413%	November 10, 2023	40,000	**38,450**	–
PHINMA Solar	30,000[31]	December 22, 2023	DBP	Principal repayment to commence Feb 13, 2024 and shall be payable in 31 equal quarterly installments.	August 13, 2031	With regular interest rate of 6.9291%	December 22, 2023	30,000	**29,775**	–
PSHC	154,000[20]	July 15, 2006	UPPC	Annual installment payments of ₱4 million for 32 years starting December 31, 2021.	December 31, 2052	The effective interest rate after the modification of term is 6.80%	July 15, 2006	154,000	**112,000**	120,982
PPHC	950,000[24]	February 15, 2016	RCBC	28 quarterly installments within seven (7) years.	February 15, 2023	Fixed interest rate of 5.5%, 5.5903% and 5.885% on ₱250.0, ₱450.0, and ₱250.0 million, respectively.	February 15, 2016	250,000	**–**	–
							March 1, 2016	450,000	**–**	–
							April 14, 2016	250,000	**–**	–
PPHC	500,000[24]	March 31, 2016	CBC	Payable in 36 quarterly installments with final repayment on April 11, 2026. Annual principal payment of 1/4 of 1% of beginning principal balance to commence on 5th quarter with remaining principal balance payable on final maturity date.	April 11, 2026	Fixed interest rate of 6.1567% and 6.04% on ₱100.0, and ₱400.0 million, respectively.	April 11, 2016	100,000	**98,164**	–
							March 20, 2016	400,000	**392,650**	–

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2023	Outstanding Amounts[10]: December 31, 2022
Coral Way	₱200,000[25]	October 29, 2015	Local bank	40 quarterly installments	October 29, 2025	First 7 years - fixed based on a seven-year Philippine Daily System Treasury Fixing - R2 benchmark rate plus the minimum spread of 1.4% or annual fixed 5.75%; whichever is higher. Next 3years – subject to repricing after the 7th year based on the prevailing market rate as mutually agreed upon by the third parties.	October 29, 2015	₱200,000	**₱60,000**	₱–
KEHC	300,000[26]	January 2017	Local bank	35 quarterly installments	January 2017	The term loan bears quarterly interest of 5.5% for the first seven (7) years and subject to repricing after the 7th year.	January 2017	300,000	**154,000**	–
	Total								**₱11,149,867**	₱7,961,969

(1) The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.
(2) The purpose of this debt is to finance various capital expenditures of COC.
(3) The purpose of this debt is to finance the expansion and development plans of COC.
(4) The purpose of this debt is for general funding requirements of COC.
(5) The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.
(6) The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.
(7) The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
(8) The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.
(9) The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.
(10) Amounts are net of unamortized debt discount and/or debt issue cost.
(11) The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.
(12) The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
(13) The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
(14) The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.
(15) Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
(16) The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
(17) The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.
(18) The purpose of this loan is to refinance short-term project costs and finance the mixer facility.
(19) The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
(20) The purpose of this loan is to finance the acquisition of land from UPPC.
(21) The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.
(22) The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.
(23) The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
(24) The purpose of this loan is to fund PPHC's ongoing projects.
(25) The purpose of this loan is to partially finance the equity contribution in a subsidiary for construction of a hotel.
(26) The purpose of this loan is to partially finance the construction of the hotel and for working capital purposes.
(27) The proceeds of this loan shall be used by the borrower to finance its capital expenditures and expansion plans.
(28) The proceeds of the loan shall be exclusively used to finance capital expenditures, expansion plans, and other general corporate purposes of the debtor.
(29) The purpose of this loan shall be used by the borrower to finance its acquisition of shares in various PHINMA entities from Philippine Investment-Management (PHINMA), Inc.
(30) The purpose of this loan is for refinancing of Phinma loans and expansionary/improvements in Mariveles facility.
(31) To finance the general corporate requirements of the rooftop solar projects of the borrower.

24. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31 is as follows:

	Number of Shares	
	2023	2022
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	**50,000,000**	50,000,000
Class BB – Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	18,279

The issued and outstanding shares as at December 31, 2023 and 2022 are held by 1,214 and 1,218 equity holders respectively.

The following summarizes information on the Parent Company's track record of registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Issue/Offer Price
March 12, 1957	1,200,000	₱10
June 12, 1968	1,000,000	10
April 7, 1969	800,000	10
January 21, 1980	2,000,000	10
November 3, 1988	10,000,000	10
October 13, 1992	25,000,000	10
June 3, 1995	60,000,000	10
March 16, 1999	320,000,000	10

b. Retained Earnings

Appropriated

On February 28, 2020, the Parent Company's BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the Parent Company's BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

On March 3, 2023, the Parent Company's BOD approved the appropriation of ₱500.0 million for the investment in PPHC and re-appropriation of ₱1.1 billion for the investment in the Construction Materials business until December 31, 2024. In addition, the Parent Company's BOD approved the reversal of previous appropriations of retained earnings amounting to ₱500.0 million for investment in Education business in 2021 and ₱165.5 million for buyback of PHN shares in 2020.

Unappropriated

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a regular cash dividend of ₱0.40 per share or an equivalent of ₱108.8 million and a special cash dividend of ₱0.10 per share or an equivalent of ₱27.2 million, to all common shareholders of record as at March 22, 2022. The cash dividends were paid on April 6, 2022.

On March 3, 2023, the Parent Company's BOD declared a regular cash dividend of ₱0.60 per share or an equivalent of ₱171.8 million, to all common shareholders of record as at March 22, 2023. The cash dividends were paid on April 5, 2023.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱2,455.2 million and ₱1,607.9 million as at December 31, 2023 and 2022, respectively.

c. Buyback of Shares

On February 28, 2020, the Parent Company's BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

In 2023, 2022 and 2021, the Parent Company bought back nil shares, 23,000 shares and 456,600 shares which amounted to nil, ₱0.5 million and ₱7.2 million , respectively.

d. Put Option over Non-controlling Interests

In 2020, Asian Development Bank invested amounting to ₱625.0 million for 1.1 million shares of PEHI. As a result, additional non-controlling interest put liability is recognized amounting to ₱450.0 million.

Accretion of interest of non-controlling interest put liability amounted to ₱382.3 million and ₱325.4 million as at December 31, 2023 and 2022, respectively.

e. Sale of Treasury Shares

In 2022, the Parent Company sold 14,431,900 treasury shares with cost of ₱143.9 million for ₱281.4 million.

f. Parent company shares held by a subsidiary

In 2023, APHI acquired additional 164,100 PHN shares with a total cost of ₱3.2 million. As at December 31, 2023, APHI holds 5,407,822 shares with a total cost of ₱57.7 million accounted as treasury shares.

25. Revenue from Contracts with Customers

Set out below is the disaggregation of the revenue from contracts with customers:

	2023	2022	2021
Revenue source:			
Sale of goods	**₱13,731,283**	₱13,693,488	₱12,452,783
Tuition, school fees and other services	**4,424,398**	3,347,985	3,087,927
Real estate sales	**1,744,807**	–	–
Hospital routine services	**225,198**	182,124	179,029
Installation services	**221,465**	65,017	75,360
Hotel operations	**219,765**	–	–
Management and administrative fees	**100,039**	–	–
Consultancy	**98,599**	45,419	25,034
Construction contracts	**58,217**	–	–
Royalty fees	**15,477**	–	–
Franchise fees	**1,541**	–	–
Total revenue from contracts with customers	**₱20,840,789**	₱17,334,033	₱15,820,133
Timing of recognition:			
Goods transferred at a point in time	**₱13,731,283**	₱13,693,488	₱12,452,783
Services transferred over time	**7,109,506**	3,640,545	3,367,350
Total revenue from contracts with customers	**₱20,840,789**	₱17,334,033	₱15,820,133

"Others - net" in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2023, 2022 and 2021, miscellaneous income amounted to ₱51.2 million, ₱42.2 million and ₱23.6 million, respectively.

Contract balances

	2023	2022
Trade receivables (see Note 11)	**₱6,058,404**	₱4,560,715
Contract assets	**3,622,582**	–
Contract liabilities (see Note 22)	**1,809,423**	1,416,637
Cost to obtain contract	**43,636**	–

PHN and Subsidiaries

Trade receivables include receivables from sale of roofing and other steel products and rendering of installation services to customers which are normally on a 30-60 day term. Trade receivables also include tuition and other school fees receivables which are normally collected within the current school semester. Other trade receivables are noninterest-bearing and are normally collected within the next financial year. It also include the following receivables:

Real Estate Installment Contracts. Real estate installment contracts receivable (ICR) and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

General Construction. General construction receivables principally consist of receivables arising from third-party construction projects. These receivables are based on progress billings provided to customers over the period of construction and are normally collected within 30 days.

Property Management. Receivables from property management services are claims from condominium corporations and unit owners for the services rendered by PPHC. These are generally on a 30-day credit term.

Retention. Retention receivables includes those arising from sale of real estate under HDMF financing and those from construction contracts.

Contract Assets and Liabilities. Contract assets represent the right to consideration that was already delivered by PPHC in excess of the amount recognized as installment contracts receivable. This is reclassified as real estate installment contracts receivable when the monthly amortization of the customer is already due for collection or, in the case of sales of real estate under HDMF and bank financing schemes, upon submission of the documentary requirements to HDMF and the lending bank, respectively and upon approval of the loan. Movements in contract asset during the year is mainly due to real estate sales recognized during the period less transfer to real estate installment contracts receivable.

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱1,809.4 million as at December 31, 2023 are expected to be recognized as revenue within one year upon completion of the school term and delivery of roofing and other steel products or performance of installation service (see Note 22). Contract liabilities also consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by PPHC based on POC. When the conditions for revenue recognition are met for the related customer account, sale is recognized and these contract liabilities will be recognized as revenue. The movement in contract liabilities is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold and from increase in POC.

For construction segment, contract liabilities include billings in excess of costs and estimated earnings on uncompleted contracts which represents billings in excess of total costs incurred and estimated earnings recognized.

Billings in excess of costs and estimated earnings on uncompleted contracts as follows:

	2023
Total costs incurred to date	₱142,072
Add estimated earnings recognized	95,434
	237,506
Less total billings	239,918
	(₱2,412)

Cost to Obtain Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if PPHC expects to recover them. PPHC has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

The balances below pertains to the cost to obtain contracts presented in consolidated statements of financial position.

	2023
Balance at beginning of the year	₱–
Acquisition through business combination	52,255
Additions	72,211
Amortization	(80,830)
	₱43,636

In line with PPHC's accounting policy, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

Contract Fulfillment Assets. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. PPHC's contract fulfillment costs pertain to cost of temporary facilities, mobilization and demobilization costs, capitalized borrowing costs and land acquisition costs as included in the "Inventories" account in the consolidated statement of financial position.

PPHC amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales (for contract fulfillment assets) and operating expenses (for capitalized costs to obtain a contract).

26. Investment Income

This account consists of:

	2023	2022	2021
Interest income on:			
Financial assets at fair value through profit or loss	**₱207,638**	₱209,081	₱118,939
Cash and cash equivalents (see Note 9)	**69,542**	29,599	7,823
Receivables (see Note 11)	**35,175**	9,898	5,104
Due from related parties and others	**1,994**	385	320
	314,349	248,963	132,186
Net gains from investments held for trading (see Note 10)	**15,124**	11,737	15,970
Dividend income	**208**	201	224
	₱329,681	₱260,901	₱148,380

27. Cost of Sales, Educational, Real Estate Sold and Construction Services, Hospital and Installation Services

This account consists of:

	2023	2022	2021
Cost of sales	**₱11,678,169**	₱11,681,409	₱10,147,777
Cost of educational services	**1,859,385**	1,437,469	1,202,971
Cost of hospital services	**140,618**	121,577	124,731
Cost of installation services	**53,830**	54,753	63,425
Cost of sales, educational, hospital and installation Services	**13,732,002**	13,295,208	11,538,904
Cost of real estate sold and construction services (Note 12)	**984,290**	–	–
Cost of hotel operations	**131,322**	–	–
Cost of management and administrative services	**83,875**	–	–
	₱14,931,489	₱13,295,208	₱11,538,904

The details of cost of sales, educational, hospital and installation services are as follows:

	2023	2022	2021
Inventories used (see Note 12)	**₱10,587,556**	₱10,694,947	₱9,189,186
Personnel costs (see Note 30)	**1,510,888**	1,173,309	976,817
Depreciation (see Note 31)	**577,075**	518,944	507,853
Repairs and maintenance	**157,300**	82,896	69,481
Rent (see Note 38)	**108,604**	88,707	81,151
Power and fuel	**97,497**	125,016	123,851
Laboratory and school supplies	**94,808**	80,228	83,976
Installation cost	**53,830**	58,059	31,789
School affiliations and other expenses	**49,786**	30,551	5,528
Graduation expenses	**40,000**	28,615	20,135
Review expenses	**32,627**	33,054	26,697
School materials, publication and supplies	**22,788**	12,171	7,197
Subscription	**18,639**	50,650	87,981
Educational tour expenses	**15,497**	–	909
Sports development and school activities	**4,654**	2,744	1,379
Accreditation expenses	**2,316**	2,077	2,315
Others	**358,137**	313,240	322,659
	₱13,732,002	₱13,295,208	₱11,538,904

Cost of Real Estate Sales and Construction Services

Cost of real estate sales includes acquisition cost of land, construction and development cost, including overhead and capitalized borrowing costs. Cost of real estate sales recognized for the six-month period ended December 31, 2023 amounted to ₱909.1 million (see Note 9). It also includes cost of construction management services amounting to ₱75.2 million.

28. General and Administrative Expenses

This account consists of:

	2023	2022	2021
Personnel costs (see Notes 30 and 33)	**₱1,355,498**	₱897,014	₱871,284
Professional fees and outside services (see Note 33)	**483,120**	370,678	179,209
Depreciation and amortization (see Note 31)	**134,740**	89,891	80,545
Utilities	**121,649**	78,484	40,048
Taxes and licenses	**118,130**	77,418	55,208
Security and janitorial	**112,994**	74,145	64,071
Provision for ECLs (see Note 11)	**88,101**	178,805	185,897
Transportation and travel	**60,959**	31,767	8,734
Rent (see Note 38)	**31,471**	24,821	22,313
Office supplies	**25,588**	18,239	10,920
Insurance	**25,500**	18,620	15,321
Repairs and maintenance	**24,264**	10,086	6,339

(Forward)

	2023	2022	2021
Meetings and conferences	**₱22,653**	₱14,037	₱3,974
Communications	**15,570**	6,301	10,756
Advertising and promotions	**8,216**	2,987	1,579
Donations	**6,202**	29,604	16,183
Others	**143,802**	107,929	107,733
	₱2,778,457	₱2,030,826	₱1,680,114

29. Selling Expenses

This account consists of:

	2023	2022	2021
Personnel costs (see Note 30)	**₱196,987**	₱217,339	₱238,625
Advertising	**128,539**	50,055	65,080
Freight, handling and hauling	**119,319**	94,044	79,466
Commission	**53,447**	21,055	22,478
Transportation and travel	**47,592**	31,131	18,507
Depreciation (see Note 31)	**37,956**	20,349	15,164
Outside services	**36,438**	22,084	18,963
Taxes and licenses	**26,517**	30,198	31,497
Repairs and maintenance	**15,184**	8,402	6,186
Postage, telephone and telegraph	**13,882**	4,070	19,095
Insurance	**13,022**	18,404	26,215
Supplies	**5,034**	4,977	10,640
Utilities	**2,351**	2,551	2,426
Entertainment, amusement and recreation	**3,710**	1,673	2,498
Others	**20,490**	8,193	6,728
	₱720,468	₱534,525	₱563,568

30. Personnel Expenses

This account consists of:

	2023	2022	2021
Salaries, employee benefits and bonuses	**₱2,886,697**	₱2,150,173	₱1,985,948
Pension and other post-employment benefits (see Note 35)	**125,143**	103,368	79,732
Training	**22,051**	17,415	9,602
Others	**42,266**	16,706	11,444
	₱3,076,157	₱2,287,662	₱2,086,726

Personnel costs, other than those presented in Notes 27, 28 and 29, are under cost of hotel operations amounting to ₱12.8 million in 2023, and nil in 2022 and 2021.

31. **Depreciation and Amortization**

	2023	2022	2021
Property, plant and equipment and investment properties (see Notes 12, 16 and 17):			
Cost of sales, educational, installation and hospital (see Note 27)	**₱508,723**	₱463,474	₱437,310
General and administrative expenses (see Note 28)	**83,810**	52,403	51,498
Cost of hotel operations	**30,966**	–	–
Selling expenses (see Note 29)	**15,739**	13,352	5,322
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	**28,130**	9,053	8,533
Cost of hotel operations	**1,179**	–	–
Selling expenses (see Note 29)	**686**	925	1,887
Inventories (see Note 12)			
Capitalized depreciation to real estate inventory (see Note 12)	**19**	–	–
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	**68,352**	55,470	70,543
General and administrative expenses (see Note 28)	**22,800**	28,435	20,514
Selling expenses (see Note 29)	**21,531**	6,072	7,955
Cost of hotel operations	**4,121**	–	–
	₱786,056	₱629,184	₱603,562

32. **Interest Expense and Other Financing Charges**

This account consists of:

	2023	2022	2021
Interest expense on long-term debts (see Note 23)	**₱630,645**	₱556,219	₱502,281
Interest expense on notes payable (see Note 20)	**302,582**	92,265	122,542
Interest expense on lease liabilities (see Note 38)	**25,640**	19,646	22,523
Other financing charges	**45,822**	20,060	1,902
	₱1,004,689	₱688,190	₱649,248

33. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

The Company has a policy that requires approval of related party transaction by the Audit and Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2023, 2022 and 2021, the Company's impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions are shown below.

			2023			
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 11)	**Terms**	**Conditions**
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱333,022**	**₱70,636**	**₱5,660**	Noninterest-bearing	Unsecured, no impairment
	Purchase of shares	**2,335,451**	–	–	Noninterest-bearing	Unsecured, no impairment
	Purchase of properties	**452,787**	–	–	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Insurance Brokers, Inc. (PHINMA Insurance), PHINMA Foundation, Inc., Phinma Plaza Condominium Corporation, Phinma Prism Property Development Corp.	Advances (PHINMA Prism)	–	–	**56,142**	Interest-bearing at range of 4.7% - 6.3% for 95 days	Unsecured, no impairment
	Interest income (PHINMA Prism)	**3,597**	–	–	Interest at 4.7% to 6.3%	Unsecured, no impairment
	Share in expenses	**10,344**	**1,345**	**68,970**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM, PHINMA Saytanar (PSEd), PE International, Yayasan Triputra Persada	Share in expenses	**5,384**	–	**17,066**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**2,437**	–	**3,032**	Noninterest-bearing	Unsecured, no impairment
InPHIN8, DBHC, FBHC, SFSHC	Management And Incentive Fees	**10,714**	–	–	Noninterest-bearing	Unsecured, no impairment
	Rent (Inphin8)	**8,943**	–	–		
			₱71,981	**₱150,870**		

		2022				
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱263,387	₱103,111	₱2,084	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	927	–	6,271	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	–	–	6	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	–	52,000	–	Noninterest-bearing	Unsecured, no impairment
PHINMA Insurance, PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	9,338	425	8,075	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	10,160	59	11,682	Noninterest-bearing	Unsecured, no impairment
UPPC	*Consultancy Fee*	2,437	–	800	Noninterest-bearing	Unsecured, no impairment
			₱155,595	₱28,918		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

Management and Directors' Compensation

PHN, UGC, COC, AU, UPANG, SWU, UI and PPHC are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

The details of the management fee and bonus which is included in "Outside services" and "Personnel costs", respectively, under the "General and administrative expenses" account are as follows:

	2023	2022
Management fee	**₱99,613**	₱90,814
Management bonus	**162,335**	121,321
	₱261,948	₱212,135

The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱75.0 million and ₱93.2 million as at December 31, 2023 and 2022, respectively.

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account are as follows:

	2023	2022
Directors' fee	**₱60,088**	₱62,788
Directors' bonus	**98,453**	14,898
	₱158,541	₱77,686

The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱61.7 million and ₱53.4 million as at December 31, 2023 and 2022, respectively (see Note 21).

Compensation of key management personnel of the Company are as follows:

	2023	2022	2021
Short-term employee benefits	**₱313,780**	₱263,476	₱189,558
Post-employment benefits (see Note 35):			
Retirement benefits	**15,124**	10,031	15,945
Vacation and sick leave	**1,714**	3,189	1,900
	₱330,618	₱276,696	₱207,403

34. **Income Taxes**

The components of the Company's deferred tax assets and liabilities are as follows:

	2023	2022
Deferred tax assets:		
NOLCO	**₱315,276**	₱247,724
Allowance for ECLs	**164,569**	32,830
Lease liabilities	**99,077**	67,689
Accrued expenses	**92,436**	23,974
Pension liability	**58,377**	37,936
Management bonus	**33,809**	2,576
Allowance for inventory write-down	**953**	2,295
Others	**39,715**	6,349
	804,212	421,373
Deferred tax liabilities:		
Fair value adjustments on property, plant and equipment of subsidiaries acquired	**(453,816)**	(426,423)
Deferred gross profit on sale of real estate inventories	**(446,647)**	–
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(109,055)**	(119,788)
Accrued income	**(105,649)**	(82,005)

(Forward)

	2023	2022
Excess of capital expenditures over depreciation	**(₱98,431)**	(₱25,019)
Right-of-use assets	**(76,500)**	(62,282)
Unrealized foreign exchange gain	**(18,068)**	(387)
Unamortized debt issuance costs	**(6,512)**	(3,846)
Unamortized capitalized borrowing cost	**(2,620)**	(392)
Others	**(18,562)**	(24)
	(1,335,860)	(720,166)
	(₱531,648)	(₱298,793)

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2023	2022
Deferred tax assets - net	**₱164,807**	₱127,736
Deferred tax liabilities - net	**(696,455)**	(426,529)
	(₱531,648)	(₱298,793)

The Company's deductible temporary differences, unused NOLCO and MCIT for which no deferred tax assets are recognized in the consolidated statements of financial position, are as follows:

	2023	2022
NOLCO	**₱1,041,915**	₱311,423
Allowance for impairment loss	**203,874**	203,874
Allowance for ECLs	**122,915**	122,172
Accrued personnel costs and employee benefits	**41,750**	41,905
MCIT	**38,866**	2,626
Unrealized loss on change in fair value of FVOCI	**32,082**	19,426
Unamortized past service cost	**19,781**	18,592
Pension liability	**9,154**	2,105
Equity in net losses of associate	**2,497**	–
	₱1,512,834	₱722,123

Deferred tax assets were not recognized since management believes that it is not probable that sufficient future taxable profit will be available to allow said deferred tax assets to be utilized.

The educational segment as private educational institutions, are taxed based on R.A. No. 9337 which was effective January 1, 1998. Section 27(B) of R.A. No. 9337 defines and provides that: "A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education (DepEd) , or CHED, or Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with the existing laws and regulations, shall pay a tax of 1% beginning July 1, 2020 until June 30, 2023 and to a tax of 10% beginning July 1, 2023 on their taxable income."

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

MCIT totaling ₱49.6 million can be deducted against RCIT due while NOLCO totaling ₱2,711.7 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2020	December 31, 2023	₱6,122	₱–
December 31, 2020	December 31, 2025	–	562,049
December 31, 2021	December 31, 2024	12,333	–
December 31, 2021	December 31, 2026	–	749,056
December 31, 2022	December 31, 2025	11,262	611,811
December 31, 2023	December 31, 2026	19,862	788,764
		₱49,579	₱2,711,680

MCIT amounting to ₱1.0 million and ₱1.2 million expired in 2023 and 2022, respectively. Expired NOLCO amounted to nil and ₱311.5 million in 2023 and 2022, respectively. MCIT amounting to ₱2.5 million and nil in 2023 and 2022, respectively, and NOLCO amounting to ₱47.4 million and nil in 2023 and 2022, respectively, were claimed as deduction against regular taxable income.

Reconciliation between the statutory tax rates and the Company's effective tax rates follows:

	2023	2022	2021
Applicable statutory tax rate	**25.0%**	25.0%	25.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%/1%	**(17.3)**	(13.1)	(13.5)
Change in unrecognized deferred tax assets and others	**1.4**	9.0	(6.1)
Equity in net earnings of associates and joint ventures	**1.1**	(0.9)	(0.4)
Interest income subjected to lower final tax rate	**(1.0)**	(0.7)	(0.1)
Effective tax rates	**9.2%**	1.3%	4.9%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law to introduce reforms to the corporate income tax and incentives systems in the Philippines.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

35. Pension and Other Post-employment Benefits

Pension and other post-employment benefits as at December 31 consist of:

	2023	2022
Net pension liability	**₱267,222**	₱196,059
Vacation and sick leave	**91,094**	79,502
Defined contribution plan	**5**	39
	₱358,321	₱275,600

Pension and other employee benefits expenses under "Cost of sales", "General and administrative expenses" and "Selling expenses", consist of:

	2023	2022	2021
Net pension expense	**₱112,018**	₱76,191	₱66,091
Vacation and sick leave	**12,402**	26,499	12,775
Defined contribution plan	**723**	678	866
	₱125,143	₱103,368	₱79,732

A. Pension Benefit Obligation

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans.

Net pension expense consists of:

	2023	2022	2021
Current service cost	**₱99,296**	₱62,415	₱60,858
Net interest cost	**12,402**	13,364	5,233
Past service cost	**320**	412	–
Net pension expense	**₱112,018**	₱76,191	₱66,091

Details of net pension liability as at December 31 are as follows:

	2023	2022
Present value of defined benefit obligation	**₱793,183**	₱531,538
Fair value of plan assets	**(525,961)**	(335,479)
Pension liability	**₱267,222**	₱196,059

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

	2023	2022
Balance at beginning of year	**₱531,538**	₱541,312
Acquisition through business combination	**145,313**	192
Current service cost	**99,296**	62,415
Interest cost on defined benefit obligation	**38,350**	22,434
Benefits paid from plan assets	**(22,147)**	(44,201)
Benefits paid from operating funds	**(11,016)**	(23,804)
Past service cost	**320**	412
Actuarial (gains) losses:		
Changes in financial assumptions	**18,419**	(38,078)
Changes in demographic assumptions	**(14,709)**	(19,753)
Experience adjustments	**7,819**	30,609
Balance at end of year	**₱793,183**	₱531,538

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

	2023	2022
Balance at beginning of year	**₱335,479**	₱347,000
Actual contributions	**101,679**	41,844
Acquisition through business combination	**89,585**	–
Interest income included in net interest cost	**25,948**	9,070
Benefits paid	**(22,147)**	(44,201)
Actual return excluding amount included in net interest cost	**(4,583)**	(18,426)
Net acquired assets due to employee transfers	**–**	192
Balance at end of year	**₱525,961**	₱335,479
Actual return (deficit) on plan assets	**₱21,365**	(₱9,356)

Change in net pension liability are as follows:

	2023	2022
Balance at beginning of year	**₱196,059**	₱194,312
Pension expense	**112,018**	76,192
Contributions	**(101,679)**	(41,844)
Benefits paid from operating fund	**(11,016)**	(23,804)
Remeasurements in OCI	**16,112**	(8,797)
Acquisition through business combination	**55,728**	–
Pension liability	**₱267,222**	₱196,059

The Company expects to contribute ₱90.3 million to its retirement fund in 2023.

The ranges of principal assumptions used in determining pension benefits are as follows:

	2023	2022
Discount rates	**5-7%**	4-7%
Rates of salary increase	**3-6%**	2-6%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounted to ₱526.0 million and ₱335.5 million as at December 31, 2023 and 2022, respectively. The major assets are as follows:

	2023	2022
Cash and short-term investments	**₱338,473**	₱121,065
Marketable equity securities	**156,667**	214,414
Others	**30,821**	–
	₱525,961	₱335,479

As at December 31, 2023 and 2022, the carrying amount of the retirement fund approximates its fair value. Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Parent Company with a fair value of ₱4.5 million and ₱4.2 million as at December 31, 2023 and 2022, respectively.

The voting rights over the shares are exercised by the trustee through the retirement committee, the members of which are directors or officers of the Parent Company.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2023	2022
	Increase (Decrease)	
Discount rate:		
Increase by 1%	**(₱11,402)**	(₱38,877)
Decrease by 1%	**117,826**	28,325
Salary increase rate:		
Increase by 1%	**₱122,192**	₱39,443
Decrease by 1%	**(6,564)**	(43,935)

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

	2023	2022
Within the next 12 months	**₱137,183**	₱34,241
Between two and five years	**311,485**	155,027
Beyond five years	**2,889,349**	1,324,757

The average duration of the defined benefit obligation as at December 31, 2023 is between 6.1 years to 19.93 years.

B. Defined Contribution Plan

The Company also provides a defined contribution plan that covers all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries.

Participation by employees in the defined contribution plan is voluntary. Total contribution is up to 4% of annual salary, of which, 60% is contributed by the employees and 40% by the Company.

There will be separate sub-funds for the defined contribution and benefit plans which will not be commingled with each other or be used to fulfill the funding requirements of both retirement plans.

The Company contributed ₱0.7 million in 2023 and 2022 and ₱0.9 million 2021 to the defined contribution plan, which were recognized as expense. The Company has no advances to the defined contribution plan as at December 31, 2023 and 2022.

C. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

Vacation and sick leave expense consists of:

	2023	2022	2021
Current service cost	**₱20,124**	₱7,256	₱12,936
Past service credit	**(11,200)**	(1,749)	–
Interest cost	**6,786**	3,268	2,372
Actuarial losses (gains)	**(3,308)**	17,724	(2,533)
Vacation and sick leave expense	**₱12,402**	₱26,499	₱12,775

Changes in the present value of the vacation and sick leave obligation are as follows:

	2023	2022
Balances at beginning of year	**₱79,502**	₱65,008
Current service cost	**20,124**	7,256
Past service cost	**(11,200)**	(1,749)
Benefits paid	**(9,118)**	(21,157)
Interest cost	**6,786**	3,268
Acquisition through business combination	**8,308**	–
Actuarial losses (gains)	**(3,308)**	26,876
Balances at end of year	**₱91,094**	₱79,502

36. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, investments held for trading and investments in equity instruments classified as financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is for a temporary outlay of funds. The Company has financial liabilities in the form of bank loans and corporate bonds with the main purpose of funding its investments in the Strategic Business Units (SBUs), potential new investments, refinancing maturing loans, and general corporate purposes.The Company also has financial assets and liabilities, such as trade and other receivables and trade and other payables that arise directly from operations.

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds and capital raising of the Company.

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on the financial instruments, the Company transacts only with the Financial Institutions (FIs) duly approved by the Board of Directors. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. For investments in UITFs or Mutual Funds, it is the Company's policy that investments cannot exceed 10% of the size of the fund.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	2023	2022
Financial assets at amortized cost:		
Cash and cash equivalents*	**₱2,677,785**	₱3,398,748
Trade and other receivables	**8,845,508**	5,807,259
Refundable deposits**	**347,293**	72,015
	₱11,870,586	₱9,278,022

**Excluding cash on hand*

***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

There are no significant concentrations of credit risk.

Credit Quality of Financial Assets, Other than Receivables from Customers

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2023			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	**₱2,677,785**	**₱–**	**₱–**	**₱2,677,785**
Other receivables:				
Due from related parties	**150,870**	**–**	**–**	**150,870**
Advances to officers and employees	**61,793**	**–**	**–**	**61,793**
Accrued interest receivables	**440,276**	**–**	**–**	**440,276**
Others	**1,460,510**	**–**	**–**	**1,460,510**
Refundable deposits**	**347,293**	**–**	**–**	**347,293**
Gross Carrying Amount	**₱5,138,527**	**₱–**	**₱–**	**₱5,138,527**

**Excluding cash on hand.*
***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

	2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱3,398,748	₱–	₱–	₱3,398,748
Other receivables:				
Due from related parties	28,918	–	–	28,918
Advances to officers and employees	56,148	–	–	56,148
Accrued interest receivables	338,546	–	–	338,546
Others	440,359	–	–	440,359
Refundable deposits**	72,015	–	–	72,015
Gross Carrying Amount	₱4,334,734	₱–	₱–	₱4,334,734

**Excluding cash on hand.*
***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

Credit Quality of Receivables from Customers
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

December 31, 2023	**Receivables from customers**					
		Days past due				
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	**2%**	**11%**	**3%**	**35%**	**25%**	**12%**
Estimated total gross carrying amount default	**₱2,786,242**	**₱908,664**	**₱245,070**	**₱323,788**	**₱1,794,640**	**₱6,058,404**
Expected credit loss	**55,578**	**97,824**	**6,987**	**112,733**	**454,537**	**727,659**

December 31, 2022	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	3%	9%	7%	28%	44%	15%
Estimated total gross carrying amount default	₱2,353,512	₱702,318	₱116,874	₱600,616	₱787,395	₱4,560,715
Expected credit loss	71,331	66,071	8,713	170,527	350,085	666,727

Customer receivables amounting to ₱649.3 million and ₱563.8 million in 2023 and 2022, respectively, was specifically identified to be fully impaired (see Note 11). Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time due to the inability to collect its receivables, liquidate its other assets or obtain funding at reasonable terms. The Company manages liquidity risks by keeping a level of cash and cash equivalents sufficient to finance the operating requirements. The cash and cash equivalents are invested in time deposits and money market funds that can be liquidated quickly. The Company also ensures that it always has enough and active working capital lines with banks for bridge financing. The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The key terms and threshholds are approved by the Board of Directors. It is the Company's policy to restrict investment in marketable securities, principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic institutions.

As part of liquidity risk management, the Company regularly evaluates the projected and actual cash flows and conducts stress-testing of assumptions to establish contingency plans. The Company continuously assesses conditions in the financial markets for opportunities for fund-raising activities which may include bank loans and capital market issues.The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows as of December 31:

	2023					
	Within 1 Year	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	**₱2,905,913**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,905,913**
Trade and other receivables	**8,845,508**	**–**	**–**	**–**	**–**	**8,845,508**
Financial assets at FVPL:						
Investment in UITF	**371,412**	**–**	**–**	**–**	**–**	**371,412**
Investments in marketable equity securities	**3,684**	**–**	**–**	**–**	**–**	**3,684**
Investments in preferred shares	**–**	**–**	**–**	**1,916,238**	**–**	**1,916,238**
	₱12,126,517	**₱–**	**₱–**	**₱1,916,238**	**₱–**	**₱14,042,755**

	2022					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱3,421,578	₱–	₱–	₱–	₱–	₱3,421,578
Trade and other receivables	5,631,456	–	–	–	–	5,631,456
Financial assets at FVPL:						
Investment in UITF	647,383	–	–	–	–	647,383
Investments in marketable equity securities	6,933	–	–	–	–	6,933
Investments in preferred shares	–	–	–	2,209,088	–	2,209,088
	₱9,707,350	₱–	₱–	₱2,209,088	₱–	₱11,916,438

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2023					
	Within 1 Year	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Liabilities						
Loans and borrowings and payables						
Notes payable	**₱7,626,264**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,626,264**
Trade and other payables	**3,572,566**	–	–	–	–	**3,572,566**
Trust receipts payable	**883,106**	–	–	–	–	**883,106**
Due to related parties	**71,981**	–	–	–	–	**71,981**
Lease liabilities	**155,812**	**95,891**	**79,212**	**68,943**	**398,331**	**798,189**
Long-term debt*	**672,723**	**3,740,337**	**2,497,272**	**3,514,071**	**594,788**	**11,019,191**
Non-controlling interest put liability	**2,570,619**	–	–	–	–	**2,570,619**
	₱15,553,071	**₱3,836,228**	**₱2,576,484**	**₱3,583,014**	**₱993,119**	**₱26,541,916**

**Including current and noncurrent portion.*

	2022					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings and payables						
Notes payable	₱2,779,103	₱–	₱–	₱–	₱–	₱2,779,103
Trade and other payables	2,150,350	–	–	–	–	2,150,350
Trust receipts payable	128,249	–	–	–	–	128,249
Due to related parties	155,595	–	–	–	–	155,595
Lease liabilities	104,197	51,409	26,473	29,531	145,296	356,906
Long-term debt*	672,723	3,627,354	2,501,272	3,526,071	691,124	11,018,544
Non-controlling interest put liability	–	2,188,320		–	–	2,188,320
	₱5,990,217	₱5,867,083	₱2,527,745	₱3,555,602	₱836,420	₱18,777,067

**Including current and noncurrent portion.*

<u>Changes in liabilities arising from financing activities</u>

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	January 1, 2023	**Acquisition through business combination**	**Additions**	**Payments**	**Others***	**December 31, 2023**
Notes payable	**₱2,779,103**	**3,169,577**	**₱9,029,800**	**(₱7,158,495)**	**(₱193,721)**	**₱7,626,264**
Long-term debt	**10,934,746**	**743,413**	**3,159,325**	**(748,958)**	**50,540**	**14,139,066**
Due to related parties	**155,595**	**2,153**	**3,055,020**	**(3,140,787)**	**–**	**71,981**
Dividends payable	**185,687**	**1,007**	**473,359**	**(405,795)**	**–**	**254,258**
Lease liabilities	**314,128**	**193,318**	**107,788**	**(111,449)**	**20,732**	**524,517**
Other noncurrent liabilities	**49,577**	**166,096**	**86,245**	**–**	**–**	**301,918**
Total liabilities from financing activities	**₱14,418,836**	**₱4,275,564**	**₱15,911,537**	**(₱11,565,484)**	**(₱122,449)**	**₱22,918,004**

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱1.4 million due to pre-termination of long-term lease contract.*

	January 1, 2022	Additions	Payments	Others*	December 31, 2022
Notes payable	₱930,174	₱3,380,647	(₱1,531,718)	₱–	₱2,779,103
Long-term debt	10,683,115	1,280,000	(1,048,952)	20,583	10,934,746
Due to related parties	182,878	272,379	(299,662)	–	155,595
Dividends payable	228,251	334,768	(377,332)	–	185,687
Lease liabilities	355,901	88,219	(125,452)	(4,540)	314,128
Other noncurrent liabilities	47,937	1,640	–	–	49,577
Total liabilities from financing activities	₱12,428,256	₱5,357,653	(₱3,383,116)	₱16,043	₱14,418,836

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱151515.5 million due to pre-termination of long-term lease contract.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Market risks are managed by constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists/strategy officers to get multiple perspectives on interest rate trends/forecasts. Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks are also made.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets that are exposed to foreign currency risk are foreign currency denominated cash and cash equivalents, receivables, derivative assets and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment domestically and abroad. Should the need arise, approved hedging strategies may be implemented to mitigate risks. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of December 31:

	2023		2022	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$9,628**	**₱533,102**	US$12,111	₱675,233
Cash and cash equivalents	**VND17,941,227**	**40,936**	VND35,703	80
Receivables	**US$10,056**	**556,825**	US$1,330	74,170
Investment at FVPL	**US$34,608**	**1,916,238**	US$39,618	2,209,088
Derivative assets	**US$16,069**	**889,721**	US$11,623	648,117
Investment in UITF	**US$35**	**1,937**	US$34	1,879
		₱3,938,759		₱3,608,567
Financial liabilities:				
Trust receipts payables	**US$–**	**₱–**	US$3,245	₱180,925
Trade and other payables	**US$16**	**859**	–	–
Derivative liability	**US$–**	**–**	US$7	371
		₱859		₱181,296

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.37 and ₱55.76 to US$1.00 as at December 31, 2023 and 2022, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets) as at December 31, 2023 and 2022. There is no impact on the Company's equity other than those already affecting the profit or loss.

The effect on profit before tax already includes the impact of derivatives outstanding as at December 31, 2023 and 2022:

	2023	
	Increase (Decrease) in Peso-Dollar Exchange Rate	**Effect on Profit Before Tax**
		(Amounts in Millions)
PHN	**₱1.0**	**₱61.71**
	(1.0)	**(61.71)**
PEHI	**1.0**	**8.14**
	(1.0)	**(8.14)**
UGC	**3.0**	**0.14**
	(3.0)	**(0.14)**
PCC	**4.0**	**1.80**
	(4.0)	**(1.80)**

	2022	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.0	₱1.44
	(1.0)	(1.44)
PEHI	1.0	11.95
	(1.0)	(11.95)
UGC	3.0	0.07
	(3.0)	(0.07)
PCC	4.0	0.18
	(4.0)	(0.18)

<ins>Interest Rate Risk</ins>

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is managed by assessing developments in the market and also internally monitoring the interest rate, interest structure, and maturity profile of the company's debt obligations.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as of December 31:

				2023			
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets							
Placements (PHP)	**1.40%-6.10%**	**₱790,819**	**₱–**	**₱–**	**₱–**	**₱–**	**₱790,819**
Financial Liabilities							
PHN	**6.00%-7.86%**	**64,564**	**966,133**	**18,142**	**1,869,258**	**–**	**2,918,097**
UGC	**4.85%**	**48,218**	**48,258**	**12,233**	**800,276**	**–**	**908,985**

				2022			
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	5.25%-5.728%	₱1,694,459	₱–	₱–	₱–	₱–	₱1,694, 459
Financial Liabilities							
PHN	6.25%	20,000	20,000	20,000	1,882,344	–	1,942,344
UGC	4.85%-5.11%	47,958	47,982	48,025	810,240	–	954,205

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The table below sets forth the estimated change in the Company's income before tax due to a reasonably possible change in interest rates as at December 31, 2023 and 2022. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2023	
	Increase/ (Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
PHN	**25**	**(₱7,295)**
	(25)	**7,295**
UGC	**25**	**(2,272)**
	(25)	**2,272**

	2022	
	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(₱4,856)
	(25)	4,856
UGC	25	(2,406)
	(25)	2,406

Peso placements are subject to cash flow interest rate risk while peso and dollar bonds are subject to fair value interest rate risk.

Equity Price Risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position. Unsystemic risk is managed through diversification in the stock portfolio.

The following tables demonstrate the effect on the Company's profit before income tax (as a result of a change in the fair value of equity instruments held as investment held for trading) due to a reasonably possible change in equity indices, based on the Company's expectation, with all other variables held constant as at December 31, 2023 and 2022. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

	2023	
	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+8.6%**	**₱10**
	-8.6%	**(10)**
API	**+8.6%**	**0.08**
	-8.6%	**(0.08)**

	2022	
	Increase/ Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+13.7%	₱325
	-13.7%	(325)
API	+13.7%	310
	-13.7%	(310)

Capital Management
The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the consolidated statements of financial position.

The Company keeps the debt-to-equity (DE) ratio at a level no higher than 3.33:1, with the DE ratio computed as consolidated total indebtedness over consolidated total equity. Total indebtedness defined as (a) money borrowed; (b) any amount raised by acceptance credit facility; (c) any amount raised pursuant to any note purchase facility or the issue of bonds, promisory notes, debentures, loan stock or any similar instrument; (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with PFRS, be treated as a finance or capital lease; (e) receivables sold on a non-recourse basis; (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked-to-market value shall be taken into account); (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; (i) the amount paid-up or credited as paid-up on any redeemable share capital; and (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

The Company's consolidated debt-to-equity ratio as at December 31 are as follows:

	2023	2022
Total indebtedness	**₱25,743,572**	₱16,344,917
Total equity	**10,700,370**	11,142,669
Debt-to-equity ratio	**2.41:1**	1.47:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

37. Financial Instruments

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

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

Assets and liabilities measured or disclosed at fair value are as follows:

	2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments held for trading:				
Investments in UITFs	**₱371,412**	**₱–**	**₱371,412**	**₱–**
Investments in marketable equity securities	**3,684**	**3,684**	**–**	**–**
Club shares designated at FVOCI	**70,550**	**–**	**70,550**	**–**
Non-listed equity instruments designated at FVOCI	**92,558**	**–**	**–**	**92,558**
Non-listed debt instrument designated at FVPL	**1,916,238**	**–**	**–**	**1,916,238**
Derivative assets	**889,721**	**–**	**–**	**889,721**
	₱3,344,163	**₱3,684**	**₱441,962**	**₱2,898,517**
Liabilities				
Non-controlling interest put liability	**₱2,570,619**	**₱–**	**₱–**	**₱2,570,619**
Long-term debt	**14,449,990**	**–**	**–**	**14,449,990**
	₱17,020,609	**₱–**	**₱–**	**₱17,020,609**

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱647,383	₱–	₱647,383	₱–
Investments in marketable equity securities	6,933	6,933	–	–
Club shares designated at FVOCI	41,000	–	41,000	–
Non-listed equity instruments designated at FVOCI	81,959	–	–	81,959
Non-listed debt instrument designated at FVPL	2,209,088	–	–	2,209,088
Derivative assets	648,117	–	–	648,117
	₱3,634,480	₱6,933	₱688,383	₱2,939,164
Liabilities				
Derivative liability	₱371	₱–	₱371	₱–
Non-controlling interest put liability	2,188,320	–	–	2,188,320
Long-term debt	10,581,439	–	–	10,581,439
	₱12,770,130	₱–	₱371	₱12,769,759

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading, Financial Assets at FVPL, Financial Assets at FVOCI and Derivative Assets. Quoted market prices have been used to determine the fair value of investments in marketable equity securities and club shares designated at FVOCI. The fair values of unquoted equity investments at FVOCI, unquoted debt investment classified as financial asset at FVPL and derivative asset have been estimated using a future cash flows from the investee and applying a discount rate to calculate the present value of the cash flows. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, discount rate, long-term growth rate, comparable companies' average volatility, option adjusted spread and risk-free rate. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were and 17.11% and 16.20% as at December 31, 2023 and 2022, respectively. An increase (decrease) in the discount rate used in the valuation of the non-listed shares will decrease (increase) the fair value of the non-listed shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 5% to 8% and 3% to 7% in 2023 and 2022, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and PCC entered into a buy US$-sell PH₱ deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

UGC has a derivative liability amounting to nil and ₱0.3 million as at December 31, 2023 and 2022, respectively. The transacted contract has an aggregate notional amount of nil and US$28.4 million in 2023 and 2022, respectively. The unrealized gain (loss) on change in fair value of the derivative instrument amounted to (₱0.4 million), ₱1.5 million and ₱1.3 million in 2023, 2022 and 2021, respectively. The weighted average contracted forward rates are nil and ₱53.958 to US$1.00 in 2023 and 2022, respectively.

PCC has a derivative liability amounting to nil and nil as at December 31, 2023 and 2022, respectively. The transacted contracts have an aggregate notional amount of nil and US$45.8 million in 2023 and 2022, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to nil, ₱3.5 million and ₱1.9 million in 2023, 2022 and 2021, respectively. The weighted average contracted forward rates are nil in 2023 and ₱53.994 to US$1.00 in 2022.

The net changes in fair value of these derivative liability are as follows:

	2023	2022
Balance at beginning of year	**₱371**	(₱2,931)
Net change in fair value during the year	**1,608**	32,758
Fair value of settled contracts	**(1,979)**	(29,456)
Balance at end of year	**₱–**	₱371

38. **Leases**

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between two (2) and 25 years. The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases. The rollforward analysis of right-of-use assets follows:

	2023				
	Right-of-use: Land	**Right-of-use: Buildings & Warehouses**	**Right-of-use: Vehicles**	**Right-of-use: Others**	**Right-of-use: Total**
Cost					
At January 1, 2023	**₱119,241**	**₱170,017**	**₱291,890**	**₱2,470**	**₱583,618**
Acquisition through business combination	**98,012**	**126,254**	**–**	**–**	**224,266**
Additions	**31,181**	**9,831**	**62,868**	**675**	**104,555**
Pre-termination	**–**	**–**	**(5,941)**	**(384)**	**(6,325)**
At December 31, 2023	**248,434**	**306,102**	**348,817**	**2,761**	**906,114**
Accumulated Depreciation and Amortization					
At January 1, 2023	**19,032**	**80,113**	**166,972**	**2,470**	**268,587**
Acquisition through business combination	**37,086**	**65,029**	**–**	**–**	**102,115**
Depreciation	**12,025**	**40,426**	**63,962**	**391**	**116,804**
Pre-termination	**–**	**–**	**(4,573)**	**(100)**	**(4,673)**
At December 31, 2023	**68,143**	**185,568**	**226,361**	**2,761**	**482,833**
Net Book Value	**₱180,291**	**₱120,534**	**₱122,456**	**₱–**	**₱423,281**

	2022				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2022	₱106,037	₱147,507	₱269,406	₱2,470	₱525,420
Additions	15,942	43,332	29,054	–	88,328
Pre-termination	(2,738)	(20,822)	(6,570)	–	(30,130)
At December 31, 2022	119,241	170,017	291,890	2,470	583,618
Accumulated Depreciation and Amortization					
At January 1, 2022	12,398	65,767	109,867	2,143	190,175
Depreciation	6,634	22,712	60,304	327	89,977
Pre-termination	–	(8,366)	(3,199)	–	(11,565)
At December 31, 2022	19,032	80,113	166,972	2,470	268,587
Net Book Value	₱100,209	₱89,904	₱124,918	₱–	₱315,031

The rollforward analysis of lease liabilities follows:

	2023	2022
As at beginning of year	**₱314,128**	₱355,901
Acquisition through business combination	**193,318**	–
Payments	**(111,306)**	(125,452)
Additions	**104,307**	88,219
Accretion of interest	**25,497**	19,646
Pretermination	**(1,427)**	(24,186)
As at end of year	**524,517**	314,128
Less current portion of lease liabilities	**128,510**	102,676
Noncurrent portion of lease liabilities	**₱396,007**	₱211,452

In 2023, three (3) long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized loss from pre-termination of lease contract amounting to ₱0.2 million recognized in the statement of income as part of “Other income (expenses)”, after derecognizing the related right-of-use assets and lease liabilities amounting to ₱1.6 million and ₱1.4 million, respectively, in the statements of financial position.

In 2022, three (3) long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱5.6 million recognized in the statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱18.6 million and ₱24.2 million, respectively, in the statements of financial position.

In 2021, two (2) long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.8 million, recognized in the consolidated statement of income as part of “Other income (expenses)”, after derecognizing the related right-of-use assets and lease liabilities amounting to ₱18.2 million and ₱15.5 million, respectively, and recognizing claims receivable amounting to ₱3.6 million presented as part of “Trade and other receivables” in the consolidated statements of financial position.

The following are the amounts recognized in the consolidated statements of income:

	2023	2022	2021
Depreciation expense of right-of-use assets (see Notes 31)	**₱116,804**	₱89,977	99,012
Interest expense on lease liabilities (see Note 32)	**25,640**	19,646	22,523
Expenses relating to short-term leases	**140,076**	113,528	103,464

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
1 year	**₱155,812**	₱104,197
more than 1 years to 2 years	**95,891**	51,409
more than 2 years to 3 years	**79,212**	26,473
more than 3 years to 4 years	**68,943**	29,531
more than 5 years	**398,331**	145,296

39. **Commitments and Contingencies**

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱4.7 billion and ₱4.5 billion as at December 31, 2023 and 2022, respectively.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱4,730,616
Bills purchase line	921,480
Forward contract (including settlement risk)	1,189,989

PCC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱4,596,532
Bills purchase line	550,764
Forward contract (including settlement risk)	1,398,182

Phinma Solar has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱461,831
Bills purchase line	50,000
Forward contract (including settlement risk)	140,000

PEHI has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱4,650,000
Bills purchase line	275,000
Forward contract (including settlement risk)	276,850

(b) PPHC

a. PPHC is a party to certain claims arising from the ordinary course of business. Management, after consultations with its legal counsel, is of the opinion that adverse judgment in any case will not materially affect its financial position and results of operations. Other disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice PPHC's position on these claims.

On October 22, 2022, PPHC executed a joint development agreement (JDA) with Jepp Real Estate Co. Inc. (JREC), to undertake a certain property development project through the formation of a joint venture company. The JDA contains conditions precedent, activities and milestones that need to be met by both parties, which most of these are yet to be completed as at December 31, 2022.

On December 12, 2022, Jepp Property Corporation (JEPP), the "JV Company", was incorporated and registered with the Philippine SEC. The JV company's primary purpose is to deal and engage in the real estate business in all its aspects; to hold, develop, finance or otherwise deal in and dispose of all kind of real estate development. As of December 31, 2022, PPHC has no ownership interest in the JV Company.

b. On January 19, 2023, PPHC and JREC entered into a Contract to Sell whereby PPHC agreed to purchase 9.7% ownership interest in JEPP Property Corporation, for a total consideration of ₱294.1 million.

In November 17, 2023, the Parent Company entered into a subscription agreement with JEPP, whereby it agreed to subscribe and purchase 18.2 million shares of JEPP for a price of ₱18.2 million. No shares has been issued as at December 31, 2023, while approval for the Confirmation of Valuation (COV) is still pending with the SEC. The request for COV was filed and submitted by JEPP Property Corporation.

c. On January 28, 2021, PPHC entered into a Loan Agreement with HDMF, under its Program for the Development of Medium/High Rise Condominium Building (MHRB) Projects. Such agreement grants PPHC a facility of up to ₱300.0 million to be drawn in several tranches in 2021and payable within 6 months of each drawdown. As of 2021, the group availed ₱184.0 million from the facility, which were fully paid in March 2022.

d. PPHC has entered into a Funding Commitment Agreement with the HDMF covering the terms and conditions for extension of housing loans to HDMF members under the Pag-IBIG Housing Loan Program. HDMF requires a seasoning period of two years within which to convert the Contract to Sell between PPHC and the buyer to Real Estate Mortgage between the HDMF and the buyer.

e. On September 13, 2019, the Group entered into a Memorandum of Agreement (MOA) with Jose Claro H. Velez for the development of the property into a town house project with a total area of 17,946 square meters, more or less, located at Buhangin, Brgy. Pampanga, Davao City. As stated in the MOA, the land area shall be provided by Jose Claro H. Velez while the Group shall provide all the resources to develop the project from planning and design to construction, marketing and sales. The development consists of Phases 1 to 3 where number of units will depend on market needs and conditions. Liability for acquisition of land in relation to this amounted to ₱4.5 million as at December 31, 2023 (see Note 21).The project has started its site development in January 2021. As of December 31, 2023, the project is still on-going.

f. On December 15, 2017, the Group entered into a Memorandum of Understanding (MOU) with Giant Philippines Incorporated (GPI) for a possible joint venture for the development of a residential condominium complex. GPI will contribute the project area and the Group shall be responsible for the planning and design, land development, construction of the condominium units, project management, marketing and sale of units, documentation of housing loans, securing of credit lines for development and buyer's financing and post project management. As of December 31, 2023, the project is still on-going.

g. In August 2016, PPHC entered into a MOA with Jose Claro H. Velez for the development of parcels of land into a condominium project with a total land area of 21,409 square meters, more or less, located at Brgy. Vicente Hizon, Sasa, Davao City. As stated in the MOA, the land area shall be provided by Jose Claro H. Velez while PPHC shall provide all the resources to develop the project from planning and design to construction, marketing and sales. The development consists of 1,080 condominium units. In accordance with the MOA, PPHC has accrued nil in December 31, 2023. Liability for acquisition of land in relation to this amounted to ₱1.7 million as at December 31, 2023 (see Note 21).

h. On December 29, 2015, the Group entered into a Contract to Buy and Sell with Buena Homes (Sandoval), Inc. (BHSI) for the acquisition of certain parcels of land located in Pasig City with a total area of 42,711 square meters, more or less. In 2017, the Company paid ₱56.8 million for Phase 2. In accordance with the agreement, the Company accrued nil and ₱41.9 million in 2023 and 2022, respectively, for Phase 3. Liability for acquisition of land in relation to this amounted ₱1.2 million as at December 31, 2023 (see Note 21).

i. PPHC entered into a MOA with Anglo Philippines Maritime, Inc. (APMI) for the development of several parcels of land into a housing project with a total land area of 38,868 square meters, more or less, located in Muntinlupa City. The land area shall be provided by APMI whereas PPHC shall provide all the resources to develop the project from planning and design to construction, marketing and sales. The development shall be divided into four phases consisting of total of 1,792 condominium units. Phase 1 consisting of 588 units and all five buildings were completed in 2016. In 2018, PPHC paid APMI a total of ₱18.6 million. As at December 31, 2023, the balance of the liability amounted to ₱3.7 million (see Note 21).

j. On September 16, 2008, PPHC entered into a Contract to Sell with the Baradi Family for the acquisition of several parcels of land located in Quezon City, with a total area of 16,956 square meters, more or less. Total consideration amounted to ₱127.0 million. As at December 31, 2023, the remaining balance of the liability amounted ₱1.8 million (see Note 21).

(c) PHI

Lease Agreements

PHI as Lessee
On August 16, 2009, PHI entered into a lease agreement with EMAR Corporation, a related party, which shall be for a period of five (5) years until August 15, 2014 and is renewable under such terms and conditions as the parties may agree. In September 2011, the lease agreement was amended to reduce the leased area by half of the original size. On September 1, 2021 and 2020, respectively, the lease agreement was renewed for another year with total leased space of 205 square meters. PHI applied the “short-term lease” recognition exemption for this lease under PFRS 16.

Rent expense arising from this lease agreement amounted to ₱2.7 million in 2023.

Security Deposit
The lease agreement provides for a security deposit to be applied against monthly rentals due or to be refunded, free of interest, after PHI has completely vacated the leased premises, less certain deductions as stipulated in the agreement.

The carrying amount of the security deposit amounted to ₱0.4 million as at December 31, 2023.

(d) Coral Way

Lease Commitments

Coral Way as a Lessee
Coral Way entered into a non-cancellable commercial lease of land with Shoemart, Inc., which shall be used for the development and operation of Coral Way until 2027. The lease contract includes a clause to enable yearly upward revision of the rental charges.

Coral Way as a Lessor
Coral Way entered into a commercial lease with Paramount Hotels and Facilities Management Company, Inc. (Paramount) for the rental of a commercial space in the Hotel. The operating lease is renewable upon mutual agreement between the parties. In 2021, Coral Way and Paramount have agreed to renew the lease for another 3 years.

In May 2010, Coral Way entered into a lease agreement with a third party for the rental of a space in the Hotel to be used as equipment room. The lease is for a period of five years. The lease agreement was renewed in 2021 for another five years.

(e) KEHC

Lease Commitments

KEHC as a Lessee
On December 19, 2013, Coral Way entered into a non-cancellable commercial lease of land with a third party, which shall be used for the development and operation of KEHC for a period of 25 years, renewable for another 10 years upon mutual agreement of the parties. The lease contract includes a clause to enable yearly upward revision of the rental charges and grace period of two years.

In 2014, KEHC and Coral Way entered into a deed of assignment wherein the latter agreed to assign all its rights, interests and obligations under the contract of lease in favor of KEHC as the new lessee.

Except for the change in the lessee, all other provisions of the contract of lease shall continue to be valid and binding with the lessor.

KEHC as a Lessor
KEHC entered into a commercial lease with Paramount for the rental of a commercial space in the Hotel. The lease is for a period of three (3) years and renewable for another three (3) years, after 2019.

In 2019, KEHC entered into a lease agreement with Cutad, Inc. for the rental of a commercial space in the Hotel. The lease is for a period of twenty (20) years with 5.0% yearly escalation clause.

(f) Others

There are contingent liabilities arising from tax assessments occurring in the ordinary course of business, including the petition filed for the reversal and nullification of safeguard duties on its importation of cement. On the basis of information furnished by the Company's legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and result of operations.

40. EPS Computation

Basic EPS is computed as follows:

	2023	2022	2021
(a) Net income attributable to equity holders of the parent	**₱957,626**	₱947,677	₱1,128,965
(b) Weighted average number of common shares outstanding	**286,326**	276,721	272,246
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱3.34**	₱3.42	₱4.15

The Company's basic and diluted earnings per share are the same since the Company does not have potential common shares.

41. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has six (6) reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - PPHC is engaged in real estate development. API and APHI lease out its real and personal properties.

- Construction materials - PCC encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI, RCL and UCLI which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- Hospitality - PHI provides management services and is engaged in investment holding activities for the hotels. PHINMA Microtel is engaged in hotel franchising. Coral Way is engaged in hotel operations.
- OAL was engaged in animation services.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and joint ventures and investment income, before deducting interest and financing charges, provision for income tax and share of NCI. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Construction Materials	Educational Services	Hospitality	BPO	Eliminations	Total Operations
Year Ended December 31, 2023								
Revenue	**₱766,950**	**₱1,921,024**	**₱13,268,172**	**₱5,438,749**	**₱293,027**	**₱7**	**(₱414,111)**	**₱21,273,818**
Segment results	**(205,108)**	**467,317**	**826,900**	**1,410,280**	**46,258**	**(389)**	**1,879**	**2,547,137**
Investment income	**620,101**	**24,401**	**18,200**	**45,253**	**3,689**	**7**	**(381,970)**	**329,681**
Equity in net earnings (losses) of associates and joint ventures	**–**	**(76,649)**	**–**	**(5,028)**	**81**	**–**	**–**	**(81,596)**
Interest expense and financing charges	**(297,548)**	**(122,759)**	**(402,784)**	**(210,544)**	**(12,179)**	**–**	**41,125**	**(1,004,689)**
Provision for income tax	**(11,241)**	**(84,042)**	**(11,367)**	**(45,994)**	**(11,285)**	**–**	**–**	**(163,929)**
Share of non-controlling interest	**–**	**(161)**	**–**	**(254,639)**	**–**	**–**	**(414,178)**	**(668,978)**
Net income attributable to equity holders of parent	**₱106,204**	**₱208,107**	**₱430,949**	**₱939,328**	**₱26,564**	**(₱382)**	**(₱753,144)**	**₱957,626**
Total assets	**₱13,532,537**	**₱8,720,617**	**₱13,547,766**	**₱16,294,786**	**₱1,250,846**	**₱1,022**	**(₱9,872,740)**	**₱43,474,834**
Total liabilities	**₱6,340,455**	**₱5,958,056**	**₱9,404,511**	**₱8,373,846**	**₱497,025**	**₱309,917**	**₱1,894,776**	**₱32,778,586**

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2022							
Revenue	₱521,765	₱37,040	₱13,245,555	₱4,068,537	₱2	(₱208,317)	₱17,664,582
Segment results	87,327	29,921	804,293	973,520	(1,440)	25,331	1,918,952
Investment income	443,884	585	11,843	12,904	2	(208,317)	260,901
Equity in net earnings of associates and joint ventures	–	57,549	–	465	–	–	58,014
Interest expense and other financing charges	(249,101)	–	(305,631)	(175,167)	–	41,709	(688,190)
Provision for income tax	(6,238)	(5,025)	(15,629)	6,396	–	–	(20,496)
Share of non-controlling interests	–	–	–	(184,659)	–	(396,845)	(581,504)
Net income attributable to equity holders of the parent	₱275,872	₱83,030	₱494,876	₱633,459	(₱1,438)	(₱538,122)	₱947,677
Total assets	₱12,572,663	₱384,562	₱12,089,269	₱13,949,000	₱904	(₱6,985,373)	₱32,011,025
Total Liabilities	₱5,335,317	₱52,197	₱8,188,314	₱6,765,676	₱309,481	₱217,371	₱20,868,356

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2021							
Revenue	₱503,963	₱11,838	₱12,144,100	₱3,690,805	₱–	(₱312,520)	₱16,038,186
Segment results	(773)	479	1,248,291	1,220,204	(830)	(30,160)	2,437,211
Investment income	441,145	9,939	6,063	3,753	–	(312,520)	148,380
Equity in net earnings of associates and joint ventures	–	28,614	–	4,326	–	–	32,940
Interest expense and other financing charges	(185,622)	–	(300,515)	(168,022)	–	4,911	(649,248)
Provision for income tax	(3,376)	(2)	(51,759)	(41,409)	–	–	(96,546)
Share of non-controlling interests	–	–	–	(180,251)	–	(571,280)	(751,531)
Net income attributable to equity holders of the parent	₱251,374	₱39,030	₱902,080	₱838,601	(₱830)	(₱909,049)	₱1,121,206
Total assets	₱12,200,444	₱344,085	₱10,960,965	₱13,158,870	₱698	(₱6,518,970)	₱30,146,092
Total liabilities	₱5,400,882	₱52,491	₱7,422,656	₱6,567,914	₱307,397	₱422,184	₱20,173,524

42. Events after the Reporting Period

On March 5, 2024, the Parent Company's BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 12, 2024 to shareholders of record as at March 25, 2024.

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

March 5, 2024

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Components of 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 (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

March 5, 2024

PHINMA CORPORATION AND SUBSIDIARIES

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December 31, 2023

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SCHEDULE I

<u>Reconciliation of Retained Earnings Available for Dividend Declaration</u>

For the reporting period ended December 31, 2023

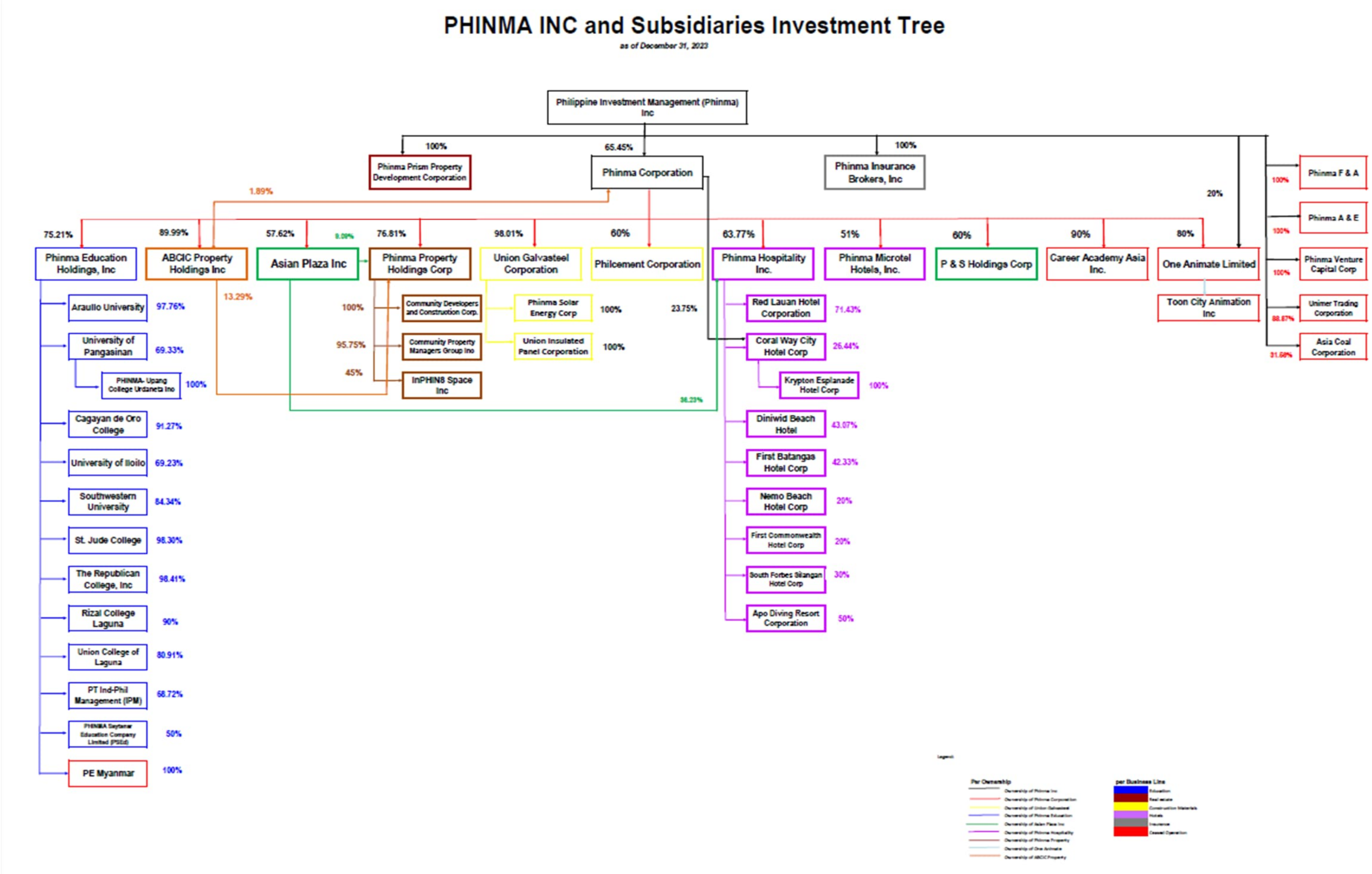
PHINMA CORPORATION

12th Floor, PHINMA Plaza 39 Plaza Drive, Rockwell Center Makati City

Unappropriated retained earnings at January 1, 2023		**₱1,642,594,459**
Add: <u>Category A</u>: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriations		1,765,500,000
Less: <u>Category B</u>: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(171,795,159)	
Retained Earnings appropriated during the reporting period	(1,600,000,000)	
Remeasurement loss on pension liability	(4,574,893)	(1,776,370,052)
Unappropriated Retained Earnings, as adjusted		**1,631,724,407**
Add: Net Income for the current year		**97,635,752**
Add/Less: <u>Category C.1</u>: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized gain on derivatives	(179,074,544)	
Unrealized gain on change in fair value of investments held for trading	(4,334,193)	
Subtotal		**(183,408,737)**
Total Retained Earnings, end of the reporting period available for dividend at December 31, 2023		**₱1,545,951,422**

SCHEDULE II

PHINMA CORPORATION AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2023



SCHEDULE III

PHINMA CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Annex 68-J
December 31, 2023

Schedule A. Financial Assets

Name of issuing entity and description of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Period	Interest Received and Accrued
Cash and Cash Equivalents	**₱–**	**₱2,905,912,689**	**₱2,905,912,689**	**₱69,542,165**
Investment in Unit Investment Trust Fund and Money				
BDO Unibank, Inc. (Peso MMF)	50,232	87,039,086	87,039,086	–
BDO Unibank, Inc. (Peso STF)	896	105,688	105,688	–
BDO Unibank, Inc. (ÙSD MMF)	32	264,325	264,325	–
Bank of the Philippine Islands (MMF)	195,770	43,516,196	43,516,196	–
Bank of the Philippine Islands (Peso Short term fund)	158,200	26,107,662	26,107,662	–
Bank of the Philippine Islands (USD Short term fund)	32	575,657	575,657	–
China Banking Corporation (Cash Fund)	24,580,659	29,909,599	29,909,599	–
China Banking Corporation (MMF)	74,458,780	100,554,851	100,554,851	–
China Banking Corporation (IFIF)	22,040	28,098	28,098	–
China Banking Corporation (STF)	21,475,308	27,267,521	27,267,521	–
Metropolitan Bank and Trust Company (MMF)	–	535,783	535,783	
Rizal Commercial Banking Corporation (Peso MMF)	8,875,568	15,712,367	15,712,367	–
Rizal Commercial Banking Corporation (Peso CMF)	9,322,887	11,316,652	11,316,652	–
Security Bank Corporation (Peso Bond Fund)	215,932	462,287	462,287	–
Security Bank Corporation (Peso MMF)	18,400,730	28,015,785	28,015,785	–
		371,411,557	**371,411,557**	**15,758,421**
Marketable Equity Securities				
Aboitiz Equity Venture	1,900	84,740	84,740	
Aboitiz Power Corporation	3,700	139,120	139,120	–
AC Energy (ACEPH) formerly Phinma Energy Corp.	200,000	870,000	870,000	–
ACE Enexor, Inc. formerly Phinma Petroleum and Geothermal Corp.	8	39	39	–
Ayala Corporation	530	360,930	360,930	–
Banco de Oro Universal Bank	1,504	194,768	194,768	–
Century Pacific Food, Inc	3,500	108,150	108,150	–
Cosco Capital	19,000	87,780	87,780	–
D&L Industries, Inc.	24,400	153,720	153,720	–
Del Monte Pacific Limited	5,972	37,862	37,862	–

(Forward)

Name of issuing entity and description of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Period	Interest Received and Accrued
DMCI Holdings, Inc	14,100	₱137,757	₱137,757	₱–
First Gen Corp	5,600	97,440	97,440	–
First Phil. Holdings Corp.	9,440	588,112	588,112	–
Holcim Phil.	–	–	–	–
Metro Pacific Investment Corp.	–	–	–	–
Metrobank	5,000	256,500	256,500	–
Phinma Corp.	–	–	–	–
Puregold Price Club, Inc.	2,400	64,560	64,560	–
Robinsons Retail Holdings, Inc.	6,100	241,865	241,865	–
San Miguel Food and Beverage	1,270	64,770	64,770	–
Security Bank Corporation	1,767	126,341	126,341	–
Universal Robina Corp.	600	70,500	70,500	–
		3,684,954	**3,684,954**	**(634,276)**
Treasury Bills	–	–	–	–
Trade and other receivables	–	**8,845,508,755**	**8,845,508,755**	**37,168,446**
Financial Assets at Fair Value Through Other Comprehensive Income				
Unquoted:				
Asian Eye Institute, Inc.	100,000	2,120,135	2,120,135	–
Asia Coal	6,039	153,857	153,857	–
Beacon Property Ventures, Inc.	32,400,000	65,472,657	65,472,657	–
Manila Cordage Company	18,136	14,773,398	14,773,398	–
PDS Holdings Corp.	4,030	866,450	866,450	–
Others	various	6,554,986	6,554,986	–
Quoted:				
Grand Plaza Hotel	353,260	2,416,299	2,416,299	–
Metro Alliance Holdings A	162,000	63,990	63,990	–
Metro Alliance Holdings B	268,000	136,680	136,680	–
Manila Polo Club	1	55,000,000	55,000,000	–
Alabang Country Club, Inc. B	1	15,000,000	15,000,000	–
Other club shares	various	550,000	550,000	–
		163,108,452	**163,108,452**	**32,541,730**
		₱12,289,626,407	**₱12,289,626,407**	**₱154,376,486**

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and Designation of Debtor	Balance of Beginning of Period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at End of Period
Advances to officers and employees	₱56,148,366	₱7,636,118	(₱1,991,911)	₱–	₱61,792,573	₱–	₱61,792,573

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of Debtor	Balance of Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Accounts Receivable							
One Animate Ltd.	₱303,789,245	₱–	₱–	₱–	₱–	₱303,789,245	₱303,789,245
Philippine Cement Corp.	1,535,107,456	2,363,780,992	(3,791,256,240)	–	107,632,208	–	107,632,208
Union Galvasteel Corporation	50,443,767	883,029,344	(855,621,492)	–	77,851,619	–	77,851,619
Phinma Corporation	68,492,654	26,007,600	(20,931,833)	–	73,568,421	–	73,568,421
Phinma Education Holdings, Inc.	42,028,790	515,841,642	(459,075,419)	–	98,795,013	–	98,795,013
Phinma Solar	3,480,702	6,043,792	(3,710,493)	–	5,814,001	–	5,814,001
Career Asia Academy	1,003,383	262,973	–	–	1,266,356	–	1,266,356
Cagayan de Oro College	638,682	121,556	(166)	–	760,072	–	760,072
University of Iloilo	136,163	717,246	–	–	853,409	–	853,409
Pamantasan ng Araullo (Araullo University), Inc.	403,099	1,919,851	–	–	2,322,950	–	2,322,950
South Western University	148,755	20,011,917	–	–	20,160,672	–	20,160,672
University of Pangasinan	439,969	1,565,839	–	–	2,005,808	–	2,005,808
St. Jude College	142,770	3,945	(1,972)	–	144,743	–	144,743
Asian Plaza, Inc	3,095	52,000,000	(3,095)	–	52,000,000	–	52,000,000
Republican College	9,779	93,876	(46,938)	–	56,717	–	56,717
Rizal College of Laguna	1,973	145,730	(147,703)	–	–	–	–
Phinma Property Holdings Corp.	–	6,099,928	–	–	6,099,928	–	6,099,928
Phinma Hospitality Inc	–	5,781,750	–	–	5,781,750	–	5,781,750
Phinma Microtel Hotels Inc	–	10,719	–	–	10,719	–	10,719
ABCIC Property Holdings Corp.	–	20,526	(20,526)	–	–	–	–
Community Property Managers Group, Inc.	–	496,000	(496,000)	–	–	–	–
Community Developers and Construction Corp.	–	526,000	(30,000)	–	496,000	–	496,000
	₱2,006,270,282	**₱3,884,481,226**	**(₱5,131,341,877)**	**₱–**	**₱455,620,386**	**₱303,789,245**	**₱759,409,631**

Schedule D. Long-term Debt

Title of Issue and Type of Obligation	Amount authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet"
PHINMA Education Holdings, Inc.			
Rizal Commercial Banking Corporation	₱1,512,558,954	₱42,882,448	₱1,469,676,506
China Banking Corporation	425,524,022	15,268,861	410,255,161
	1,938,082,976	58,151,309	1,879,931,667
PHINMA Corporation			
Bonds payable	2,989,198,287	2,989,198,287	-
Security Bank Corporation	1,923,946,354	18,313,456	1,905,632,898
China Banking Corporation	994,150,773	46,250,324	947,900,449
	5,907,295,414	3,053,762,067	2,853,533,347
Southwestern University			
Rizal Commercial Banking Corporation	388,000,000	4,000,000	384,000,000
China Banking Corporation	193,000,000	–	193,000,000
	581,000,000	4,000,000	577,000,000
Union Galvasteel Corporation			
Banco de Oro	906,247,461	47,982,179	858,265,282
PhilCement Corporation			
Security Bank Corporation	1,835,831,615	423,802,593	1,412,029,022
University of Pangasinan			
China Banking Corporation	353,015,494	10,868,296	342,147,198
Rizal Commercial Banking Corporation	241,674,391	20,129,908	221,544,483
	594,689,885	30,998,204	563,691,681
Pamantasan ng Araullo (Araullo University), Inc.			
China Banking Corporation	392,823,240	25,657,418	367,165,822
University of Iloilo			
China Banking Corporation	178,941,930	9,705,193	169,236,737
Rizal Commercial Banking Corporation	198,957,001	(417,777)	199,374,778
	377,898,931	9,287,416	368,611,515
Cagayan de Oro College			
China Banking Corporation	319,729,996	105,669,656	214,060,340
St. Jude College			
Rizal Commercial Banking Corporation	268,254,750	(508,659)	268,763,409
Phinma Solar Energy Corp.			
China Banking Corporation	200,398,113	25,738,152	174,659,961
P&S Holdings Corporation			
United Pulp and Paper Company, Inc.	112,000,000	4,000,000	108,000,000
Phinma Property Holdings.			
China Banking Corporation	490,813,570	800,410	490,013,160
Coral Way City Hotel			
BDO Unibank Inc.	60,000,000	10,000,000	50,000,000
China Banking Corporation	154,000,000	–	154,000,000
	214,000,000	10,000,000	204,000,000
	₱14,139,065,951	**₱3,799,340,745**	**₱10,339,725,206**

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at Beginning of Period	Balance at End of Period
None	₱–	₱–

Schedule F. Guarantees of Securities of Other Issuers

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
None	–	–	–	–

Schedule G. Capital Stock

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under 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
Preferred shares						
Class AA	50,000,000	–	–	–		
Class BB	50,000,000	–	–	–		
	100,000,000	–	–	–		
Common shares	420,000,000	286,343,544	–	193,203,174	30,450,326	62,690,044
Treasury shares	–	(18,279)	–	–	–	(18,279)
	520,000,000	**286,325,265**	–	**193,203,174**	**30,450,326**	**62,671,765**

PHINMA CORPORATION AND SUBSIDIARIES
Components of Financial Soundness Indicators
December 31, 2023

Ratio	Formula		2023	2022
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**1.13**	1.71
	Total Current Assets	₱20,537,041		
	Divided by:			
	Total Current Liabilities	18,115,541		
	Current Ratio	1.13		
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		**0.82**	1.31
	Quick Assets	₱14,900,628		
	Divided by:			
	Total Current Liabilities	18,115,541		
	Acid Test Ratio	0.82		
Solvency Ratio	**Net Income add Non-cash Expenses divide by Total Liabilities**		**7.36%**	10.34%
	Net Income	₱1,626,603		
	Add: Non-cash expenses	786,056		
		2,412,659		
	Divided by: Total Liabilities	32,778,586		
	Solvency Ratio	7.36%		
Debt-to-Equity Ratio	**Total Indebtedness divided by Total Stockholders' Equity**		**2.41**	1.47
	Total indebtedness	₱25,743,572		
	Divided by:			
	Total stockholders' equity	10,700,370		
	Debt-to-Equity Ratio	2.41		
Asset-to-Equity Ratio	**Total Assets divided by Total Stockholders' Equity**		**4.06**	2.87
	Total Assets	₱43,478,956		
	Divided by:			
	Total Stockholders' Equity	10,700,370		
	Asset-to-Equity Ratio	4.06		
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		**2.78**	3.25
	Earnings Before Interest and Taxes	₱2,795,221		
	Divided by:			
	Interest Expense	1,004,689		
	Interest Rate Coverage Ratio	2.78		

Ratio	Formula		2023	2022
Return on Equity	**Net Income divided by Average Total Stockholders' Equity**		**15%**	14%
	Net Income	₱1,626,603		
	Divided by:			
	Average Total Stockholders' Equity	10,921,520		
	Return on Equity	15%		
Return on Assets	**Net Income divided by Average Total Assets**		**4%**	5%
	Net Income	₱1,626,603		
	Divided by:			
	Average Total Assets	37,744,991		
	Return on Assets	4%		
Net Profit Margin	**Net Income divided by Total Revenue**		**8%**	9%
	Net Income	₱1,626,603		
	Divided by:			
	Total Revenue	21,273,818		
	Net Profit Margin	8%		

ANNEX D

Management Report

Annex D

MANAGEMENT REPORT

FINANCIAL AND OTHER INFORMATION

Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

For the last eight (8) years, there have been no disagreements with the independent accountants on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

Management's Discussions and Analysis or Plan of Operation

CALENDAR YEAR 2023

PHINMA Corporation (PHN) realized strong consolidated revenues of ₱21.27 billion in 2023, a 20% increase from 2022. Consolidated net income correspondingly rose to ₱1.63 billion from last year's ₱1.53 billion while consolidated core net income rose 40% to ₱1.67 billion from the ₱1.19 billion recorded last year.

PHN's stronger financial results were driven by the sustained growth in the Education business which continued to see enrolment growth , along with the Construction Materials Group (CMG) and PHINMA Property Holdings Corp. (PHINMA Properties)'s efforts to improve cost efficiency. The Hospitality business likewise took advantage of the continued recovery in domestic travel and events, particularly in the Mall of Asia area.

PHINMA Education Holdings, Inc. (PHINMA Education) remained steadfast in its commitment to provide accessible quality education to the affordable segment. For the first semester of School Year (SY) 2023-2024, PHINMA Education logged its highest enrolment at 146,546 students in the Philippines and Indonesia, an 18% overall increase compared to the previous school year while also achieving savings on operational costs. As a result, PHINMA Education posted consolidated revenues of ₱5.44 billion and consolidated net income of ₱1.19 billion for calendar year 2023.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Corporation (PHINMA Solar), posted combined revenues of ₱13.27 billion and a combined net income of ₱430.95 million for the calendar year 2023. UGC saw a growth in sales volumes as construction activities rebounded in the second half of 2023. Meanwhile, Philcement implemented various cost-saving initiatives and strategic pricing amid the highly competitive environment. PHINMA Solar also secured 58 projects, totaling 9.39 mWp, in the government's Green Energy Auction Program (GEAP II) – making it the only company to successfully bid in the solar rooftop segment.

PHINMA Property Holdings Corp. (PHINMA Properties) aims to build sustainable communities to address the Philippines' growing housing backlog. In July 2023, PHN acquired additional shares of PHINMA Properties, increasing the company's ownership from 40.10% to 76.81%. The consolidated net income for the second half of 2023 worth ₱281.99 million offset the equitized net loss of ₱63.87 million in the first six months of the year.

With the acquisition of PHINMA Hospitality and PHINMA Microtel shares in July 2023, PHN consolidated net earnings of Coral Way, PHINMA Hospitality and PHINMA Microtel for the year of ₱26.56 million. This is inclusive of the equitized net income in Coral Way amounting to ₱5.25 million during the first half of the year. Coral Way benefitted from the resurgence of conventions, events and corporate bookings in the Mall of Asia area.

Consolidated net income attributable to equity holders of the parent was at ₱957.63 million with an earnings per share of ₱3.34 during the period. Core net income attributable to equity holders of the parent stood at P3.52 per share. Total cash and cash equivalents was at ₱2.91 billion at the end of the period. Meanwhile, consolidated total assets amounted to ₱43.48 billion and total stockholders' equity amounted to ₱10.70 billion.

2023 Highlights

PHINMA Education provides accessible quality education to underserved youth, and is today one of the largest private education networks in Southeast Asia. In the 2023-2024 academic year (AY), the company recorded its highest enrollment of 146,546 students, an 18% increase over the previous AY.

2023 academic results showed a continued commitment to our students' needs. In Indonesia, Horizon Education secured full university status for its first institution, and in the Philippines, PHINMA Education achieved an 83.11% first-time pass rate across all licensure exams with 26 topnotchers.

This commitment resulted in significant financial growth with consolidated revenues of ₱5.44 billion and net income of nearly ₱1.2 billion in Calendar Year (CY) 2023—up from ₱4.07 billion and PHP 818 million in CY 2022, respectively.

PHINMA CMG—which is composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar)—supports public and private infrastructure development by supplying galvanized iron and steel building products, cement, and solar rooftop generation solutions.

Buoyed by the country's resilient economic performance in 2023, PHINMA CMG improved its cost efficiency operations as the group coursed through geopolitical tensions from the lingering Russia-Ukraine war, delayed rebound of China's economy, and delays in government infrastructure projects.

UGC's Light Steel Frames and Insulated Panels divisions have been gaining ground from their launch in 2022—all in line with the company's pivot towards the future. Philcement saw its sales volume increase but faced challenges in improving prices amid tough competition. The company also successfully concluded talks in 2023 with Petra Cement for a strategic partnership. On top of its highest-ever revenues, PHINMA Solar secured 58 projects totaling 9.39 mWp from the government's second Green Energy Auction Program—making it the sole firm to bid successfully in the solar rooftop segment.

The three companies of PHINMA CMG produced combined revenues of ₱13.27 billion, rising slightly year-on-year. The group's combined net income moderated to ₱430.95 million, largely owing to a tight competitive environment.

PHINMA Properties shapes new urban communities nurturing Filipinos to become better citizens, believing that supportive communities can help our countrymen achieve their full potential. The affordable housing segment remained PHINMA Properties' primary market this 2023, with its Maayo line still focused on the urban workforce in growth centers nationwide. The company also reactivated its economic and socialized housing segment as the country's housing backlog continues to grow.

For 2023, PHINMA Properties registered consolidated revenues of ₱2.52 billion and a consolidated net income after tax of ₱114 million—a 17% year-on-year climb.

PHINMA Hospitality Inc. (PHINMA Hospitality) remains steadfast to its commitment to provide clean, comfortable, and secure lodging to leisure and business travelers in the country through its Microtel by Wyndham and TRYP by Wyndham. PHINMA Hospitality operates 13 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines.

The hotels witnessed significant recovery from the pandemic owing to strong local tourism, the return of business travel, and the sustained increase in international travels. The uptick in face-to-face meetings and events likewise drove up demand for accommodations and function rooms.

PHINMA Corporation acquired shares of PHINMA Hospitality and PHINMA Microtel shares last July 2023. The Company consolidated net earnings of Coral Way, PHINMA Hospitality and PHINMA Microtel for the year of ₱26.56 million. This includes the equitized net income in Coral Way amounting to ₱5.25 million in the first half of 2023.

The Group's efforts to make lives better for Filipino families and communities go beyond our business operations. We participated in the Department of Education's Brigada Eskwela program for the 17th straight year, where we revitalized nearly 160 classrooms in 50 public schools—directly benefiting 28,000 students and 570 teachers. Other efforts included tree plantation and bloodletting, all made possible by the mobilization of 2,000 PHINMA Hero volunteers.

This year, PHINMA Foundation, Inc. (PFI) welcomed 73 new college scholars into its flagship PHINMA National Scholarship (PNS) program. The PNS currently supports 150 scholars across partner institutions Philippine Normal University Manila, University of the Philippines Diliman, Technological University of the Philippines Manila, and PHINMA-University of Pangasinan. PHINMA employees also provide scholars mentorship through the Big Brother and Big Sister Program—accounting for over 70% of its total mentors. PHINMA Education also assists qualified students through the Hawak Kamay (HK) Scholarship Program in the Philippines, and the Beasiswa Sahabat Horizon Program in Indonesia which reduce tuition fees by as much as 75%. This SY, some 66,759 college students or 58% of enrolled students within the network are covered.

This year, your Company has also promoted and fortified synergies among its strategic business units. PFI scholars and PHINMA Education students can pursue internships required by their degree programs under our businesses. Several PHINMA schools and property developments also utilize solar panels from PHINMA CMG, while PHINMA Properties has exercised its construction capabilities in some schools. Our Ugnayan initiative includes hybrid groupwide townhalls and regional townhall meetings to help facilitate updates and networking among our businesses' employees nationwide.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2023. We are also happy to report that the Board has declared a regular cash dividend of ₱0.60 per share, which is payable on 12 April 2024.

2024 Outlook

The country looks forward to sustaining its economic recovery amid the shift to a post-COVID normal. But challenges still loom locally, such as high interest rates and upside risks to inflation due to the El Niño phenomenon, and globally as the world economy is projected to slow further this year. Authorities have said they are counting on developments in sectors like tourism, infrastructure, and even the government's mass housing projects to help spur domestic economic activity.

As the learning crisis worsened by the pandemic lingers, PHINMA Education expects to be flexible in terms of time, space, and modality to reach more underserved youth here and in Southeast Asia and provide quality education to those needing it most. PHINMA Education likewise continues expanding through internal growth and strategic acquisitions, increasing its market and geographic reach.

PHINMA CMG looks forward to more returns from its new divisions this 2024 as the group reaffirms its commitment to sustainability and nation-building. The Light Steel Frames division is poised to reach further heights through more innovative products while the Insulated Panels division is gearing up for more cold storage projects to support national food security. Philcement's partnership with Petra Cement shall bolster our position in the cement industry, while PHINMA Solar has attracted interest from parties that could eventually become partners in scaling up the business.

PHINMA Properties will be pursuing more strategic expansions in the coming years which shall build on the successes of its current developments. It has developments currently under construction in Cebu City and Batangas. For its economic and socialized housing segment, PHINMA Properties likewise welcomed a senior Gawad Kalinga officer into its management to better cater to the underserved and low-income Filipinos.

Given the strong outlook on domestic and international tourism, PHINMA Hospitality is optimistic for the coming years. Microtel and TRYP by Wyndham Mall of Asia are expected to benefit from the build-up in demand from its key markets as more people embark on business and leisure travel.

This year and beyond, the Company looks forward to maximizing these growth opportunities, building from the successes achieved and improvements implemented from 2023. It also hopes to achieve more milestones and reach further heights with the support of its shareholders, leaders, employees, creditors, business partners, and other stakeholders as we continue to do well and to good together.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2023	December 2022
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[1]	**11.92%**	11.94%
Gross Profit Margin	Gross Profit[2] / Total Revenues	**29.81%**	24.74%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**0.65%**	-7.30%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.13:1.00**	1.71 : 1.00
Debt-to-Equity Ratio	Total Debt[3] / Total Equity	**3.06:1.00**	1.87 : 1.00

Profitability

The return on equity of 11.92 % in CY 2023, is slightly lower than 11.94% return of the previous year due to higher average equity attributable to shareholders of the parent in 2023. Gross profit margin on the other hand increased from 24.74% to 29.81% in 2023 due to initiatives from CMG and PHINMA Education to effectively manage fixed and semi-variable costs.

Efficiency

Net cash inflow from operations amounted to ₱138.64 million in CY2023 compared to net cash outflow of ₱1,289.70 million in CY 2022, mainly due to higher operating income in CY2023.

Liquidity

Current ratio dipped to 1.13:1.00 in CY 2023 as the P3 billion corporate bond became current as of December 31, 2023.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2023 increased from 1.87:1.00 to 3.06:1.00, mainly due to consolidation of indebtedness from the Properties and Hospitality group, resulting from the acquisition of shares in those businesses in July 2023.

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[1] *Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.*

[2] *Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service, cost of real estate and construction services, cost of hotel operations and cost of management and administrative expenses from total revenues.*

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2023	December 2022
Asset to Equity	Total Assets / Total Equity	**4.06**	2.87
Interest Rate Coverage Ratio	EBITDA[4] / Interest Expense and Other Financing Charges	**3.56**	4.17

Asset to Equity ratio of PHN and subsidiaries as of end December 2023 increased from 2.87 to 4.06 due to consolidation of assets of PPHC and PHINMA Hospitality companies.

Interest rate coverage ratio decreased from 4.17 in 2022, due to higher interest expense incurred in 2023 resulting from notes payable and loans payable obtained in 2023 at higher interest rates.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the

[4] *EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.*

expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The geopolitical tensions from the lingering Russia-Ukraine war, delayed rebound of China's economy, delays in government infrastructure projects, tighter domestic competition as industries plan for aggressive expansion and interest rates remaining elevated, resulted in a sharp increase in input costs, which significantly affected the Company's margins. Their impact is reflected in the financial statements as of December 31, 2023. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2023, the Group's total consolidated assets stood at ₱43.48 billion, higher by 35.83 % than the ₱32.01 billion total consolidated assets as of December 31, 2022.

Similarly, total consolidated liabilities amounted to ₱32.78 billion, higher by 57.07 % or by ₱11.91 billion than total consolidated liabilities as of December 31, 2022.

The following are the material changes in account balances:

ASSETS

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The decrease in the account is mainly attributable to redemption of investments in UITF of the Parent Company and schools, partially offset by consolidation of investments held for trading of APHI, PPHC and PHINMA Hospitality companies

Current portion - Trade and other receivables
The net increase in receivables of ₱2.88 billion is driven by the consolidation of trade receivables of PPHC and PHINMA Hospitality companies amounting to ₱1.58 billion, in addition to the increase in receivables from CMG amounting to ₱745.36 million as business started to pick up in the third quarter. Receivables of schools likewise increased resulting from higher enrolment in SY2324.

Current portion - Contract assets
This account with a balance of ₱3.11 billion as of December 31, pertains to contract asset of PPHC, which is consolidated into the balance sheet starting July 2023 as a result of the purchase of PPHC shares by the Parent company.

Inventories
The net increase in inventory of ₱1.39 billion is attributable to the first-time consolidation of inventory of PPHC amounting to ₱1.37 billion and APHI inventory amounting to ₱42.46 million. This was partially offset by CMG's inventory reduction initiatives through purchasing process improvements.

Input value-added taxes and other current assets
The increase in the account is attributable to input tax on the Parent's purchase of shares and properties in July 2023, CMG's purchases of imported solar panels and mounting steels to support increased sales, and consolidation of PPHC and PHINMA Hospitality's input taxes and current assets.

Noncurrent portion - Trade and other receivables
The net increase in receivables – noncurrent of ₱150.78 million is driven by the consolidation of noncurrent trade receivables of PPHC and PHINMA Hospitality amounting to ₱73.67 million, in addition to the increase in receivables from CMG amounting to ₱77.11 million as business started to pick up in the third quarter.

Noncurrent portion - Contract assets
This account with a balance of ₱516.75 million as of December 31, pertains to contract asset of PPHC, which is consolidated into the balance sheet starting July 2023 as a result of the purchase of PPHC shares by the Parent company.

Investment in and advances to associates and joint venture
The decrease of ₱794.11 million is mainly due to reclassification of investment in PPHC and PHINMA Hospitality companies from associates to subsidiaries as a result of the purchase of shares of said companies in July 2023.

Financial asset at fair value through profit or loss
The decrease of ₱292.85 million is due to the mark-to-market loss on investment in preferred shares of Song Lam.

Financial asset at fair value through OCI
The ₱40.15 million increase in this account pertains mainly to APHI, PPHC and PHINMA Hospitality's financial assets at fair value, consolidated starting the third quarter of 2023.

Property, plant and equipment
The 20% increase in this account represents the following: 1) purchase of lot and property by the schools as part of their expansion projects, amounting to ₱1.90 billion and CMG's mixer plant facility; 2) purchase of office space in July 2023 by the Parent company and 3) consolidation of property, plant and equipment of PPHC, PHINMA Hospitality and Coral Way starting Q3 of 2023.

Investment properties
The net increase in this account mainly represents the purchase of properties by the Parent company in July 2023, in addition to PPHC's investment property, which was consolidated starting Q3 2023

Deferred tax assets - net
The 29% net increase in this account pertains mainly to an increase in deferred tax assets arising from lease liabilities, provision for ECL, accrued and pension expense of CMG as well as consolidation of PPHC and PHINMA Hospitality companies' deferred tax assets.

Derivative asset – non-current
The 37% increase in this account pertains mainly to the unrealized gain on put option of the Parent company, related to the investment in Song Lam preferred shares

Other noncurrent assets
The ₱337.45 million net increase in this account pertains mainly to the cost of digital transformation projects of the schools which are currently under development plus the consolidation of PPHC and PHINMA Hospitality companies' other non-current assets.

LIABILITIES

Notes payable
The ₱4.85 billion increase in this account is attributable mainly to the ₱ 3.49 billion notes payable of PPHC, consolidated for the first time in Q3 2023, plus the increase in short-term notes availed by CMG for working capital requirements, amounting to ₱1.35 billion.

Trade and other payables
The net increase in Trade and other payables is mainly due to consolidation of trade payables of PPHC and PHINMA Hospitality companies amounting to ₱1.13 billion as well as accrual of expenses by the schools.

Contract Liabilities
Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Contract Liabilities. The account increased by ₱392.79 million mainly due to PPHC's contract liability consolidated starting Q3 2023 plus the higher contract liability of the schools, resulting from high enrolment in SY2324

Trust receipts payable
The increase of ₱754.86 million in the account is due to availment of new trust receipts payables in November and December 2023 by CMG, which allowed the group to maintain a sufficient cash balance at the end of the year.

Derivative liability
The decrease in this account is mainly attributable to lower forward rate on CMG's deliverable forward contracts compared to closing rate for the period

Income and other taxes payable
The net increase in this account is mainly attributable to increase in tax payable from CMG and the schools.

Current portion - long-term debt
The increase in this account is mainly attributable to the reclassification to current portion of the Parent company's ₱3.0 billion corporate bond which will mature in August 2024

Current portion - lease liability
The net increase in this account is mainly attributable to PPHC and Coral Way's lease liability consolidated beginning Q3 2023, partially offset by a decrease in CMG's and PEHI's lease liability.

Due to related parties
The net decrease in this account is mainly attributable to the decrease in the amounts due to the parent holding company.

Non-controlling interest put liability
The ₱382 million increase represents an increase in present value of the contingent amount payable by PHINMA Corporation to non-controlling shareholders of PHINMA Education

Deferred tax liability
The net increase in the account amounting to ₱269.93 million resulted mainly from the first-time consolidation of PPHC's deferred tax liability.

Pension and other post-employment benefits
The net increase in the account amounting to ₱82.72 million represents accrual of retirement expense by the schools as well as consolidation of accrued retirement from PPHC and the PHINMA Hospitality companies, shares of which were purchased in July 2023.

Lease liability – noncurrent
The net increase is mainly due to PPHC and Coral Way's lease liabilities which were consolidated starting Q3 2023, plus increase in CMG's lease liability.

Other noncurrent liability
The net increase mainly represents PPHC's other non-current liabilities which were consolidated beginning Q3 2023.

EQUITY

Treasury shares
The movement in the account represents the Parent company's shares held for investment by a subsidiary (ABCIC Property Holdings, Inc.), which are classified as treasury shares during consolidation.

Exchange differences on translation of foreign operations
The movement in the account represents the adjustments arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves
The movement in the account is related to the put option on shares in PHINMA Education and the non-cash consolidation adjustments resulting from the purchase of shares of PPHC, PHINMA Hospitality and PHINMA Microtel and PEHI in July 2023.

Other comprehensive income
The increase in this account is mainly attributable to the increase in fair market value of Parent company's investment in club shares, which the Company classified as financial assets at FVOCI.

Share in other comprehensive income of associates
The change is attributable to consolidation of PPHC, Coral Way and ABCIC Property Holdings Inc., which were previously associates of the Parent company.

Retained earnings
The increase in the account represents increase in net income for the year, partially offset by dividends declared during the period amounting to ₱171.80 million.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools, CMG, PPHC and PHINMA Hospitality companies, offset by the impact of the accretion of the contingent NCI put liability.

Material Changes in Income Statement Accounts

Revenues
The ₱3.61 billion increase in revenues is mainly due to an increase of ₱1.53 billion of PHINMA Education arising from record enrollment and revenues of the Property and Hospitality businesses amounting to ₱2.21 billion which were consolidated beginning July 2023.

Cost of sales
The ₱1.64 billion net increase in cost of sales is attributable to first-time consolidation of cost of sales of PPHC, PHINMA Microtel and Coral Way and the increase in variable costs of the schools to support the increase in enrollment in SY2023-24.

General and administrative expenses
General and administrative expenses also increased from previous year mainly due to consolidation of administrative expenses of PPHC and PHINMA Hospitality companies, coupled with higher personnel cost to support enrollment growth in SY2023-24.

Selling expenses
The increase in the account can be attributed to CMG's initiatives to deliver budgeted sales volume by implementing various marketing strategies.

Interest expense and other financing charges
Interest expense is higher in 2023 mainly due to increase in notes payable and loans availed of by the Parent company, CMG and the schools at higher interest rates plus the consolidation of interest expense for the second half of 2023 of PPHC and Coral Way amounting to ₱134.94 million.

Equity in net earnings (losses) of associates and joint ventures
Equity in net loss of investees is mainly due to the equitized loss in PHINMA Property Holdings Corp for the first half of 2023.

Foreign exchange gains (losses) - net
The drop in foreign exchange gain is attributable to a relatively stronger peso in 2023, with an exchange rate of ₱55.37:$1, compared to ₱55.76:$1 as of December 31, 2022.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
Net loss is attributable to the unrealized foreign exchange loss from the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivatives mainly resulted from the unrealized foreign exchange gain from the put option on the Song Lam preferred shares.

Gain on sale of investment properties
The amount represents the gain on sale of land by SWU.

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of service vehicles by CMG.

Others – net
The net increase in this account is attributable to the consolidation of PPHC's other income for the second half of 2023, partially offset by other charges from the schools

Provision for (benefit from) income tax
The provision for income tax increased as tax rates for schools reverted to 10% starting July 2023, compared to 1% for the same period last year. PHN also consolidated starting July 2023 tax provision of PPHC and PHINMA Hospitality companies amounting to ₱95.30 million, partially offset by provision for deferred income tax of CMG.

CALENDAR YEAR 2022

For the year ended December 31, 2022, consolidated revenue of PHINMA Corporation increased 10.14% to P17.66 billion. Consolidated net income declined 18.67% to P1.53 billion due to factors including higher raw materials costs driven by global supply chain disruptions, a strong US Dollar, and increased education costs due to a revision in school opening schedules.

PHINMA Education Holdings, Inc. (PHINMA Education) is the country's largest private education network. In SY 2022-23, PHINMA Education posted a 31.81% increase in annual enrollment resulting in consolidated revenue of P4.07 billion for 2022, an increase of 10.21% over the previous year. Enrollment of PHINMA Education is 124,501 students for SY 2022-23, making it the largest education network in the Philippines. Net income attributable to shareholders of the parent during the period however was P633.46 million, a decrease from P838.60 million for the previous year, due to a revision in the school opening schedules, reflecting 9 months of regular semester for 2022 compared to eleven months in 2021.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation, and PHINMA Solar Corporation (PHINMA Solar), achieved an increase of 9.07% over the previous year with combined revenues of P 13.25 billion for 2022. Net income for the group of P494.88 million for 2022 was however lower than P902.08 million posted in the previous year due to higher input costs amidst global supply chain issues and a strong US Dollar.

During the year, PHN's subsidiary, Asian Plaza Inc. posted net income of P40.77 million mainly due to a gain on sale of real property.

From affiliates PHINMA Property Holdings Corp. (PHINMA Properties) and Coral Way City Hotel Corporation (Coral Way), PHN equitized net income of P58.01 million in 2022, an increase over P32.94 million equitized in the previous year, as both companies posted improved operating results during the year.

Consolidated net income attributable to equity holders of the parent amounted to P947.68 million in 2022 which represents a decrease of 16.06% compared to the previous year.

For 2023, PHINMA Corporation expects a recovery in profitability of its Construction Materials Group and Properties business as global supply chains and foreign exchange rates continue to stabilize and input costs decrease. Profitability of the education business will gain clarity as school opening schedules become more regular every year. Our schools are also expanding capacity in anticipation of continuing growth in enrolment. Our hotels are also expected to post a strong recovery as occupancy rates and average daily rates continue to improve with leisure and business travel gaining momentum.

PHINMA Corporation ended the period with cash and cash equivalents of P3.42 billion. Consolidated Total Assets and Total Stockholders' Equity at December 31, 2022 stood at P 32.01 billion and P 11.14 billion, respectively.

2022 Highlights

PHINMA Education, the country's largest private education network, holds the group's investment in nine tertiary education schools in the Philippines and also oversees the Horizon Education tertiary institution brand in Indonesia. Despite the suspension of face-to-face classes in the country for most of 2022, PHINMA Education achieved record breaking enrolment for SY 2022 to 2023 of 124,501 students in the Philippines and Indonesia, an increase of over 30%.

To address inflation and its effect on affordability of its programs, PHINMA Education partnered with education financing platforms to intensify flexible tuition payment plans for students. In addition, six out of ten students in the Philippines benefit from scholarships which effectively reduce tuition fees. This resulted in high retention rates in both the Philippines and Indonesia. PHINMA Education continued to achieve strong results in key indicators like board exams and graduate employment. PHINMA Education's board exam passing rates in the Philippines averaged 76% in 2022, well above the national average. The PHINMA Education schools also produced two board topnotchers last year, producing 137 topnotchers since 2004. In its first ever tracer study, PHINMA Education found that over half of its 2020 graduates were employed within 6 months after graduation, perhaps the best testament to how the company makes lives better.

PHINMA Education posted consolidated revenues of P4.07 billion in 2022, an 11 percent increase over the previous year. Net income attributable to shareholders of the parent, on the other hand, decreased to P633.46 million due to revisions in the school opening schedules effectively shortening the 2022 school year with nine months of regular classes in CY2022 as compared to 11 months of regular classes in the previous year.

The PHINMA Construction Materials Group (PHINMA CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar), supply galvanized iron and steel building products, cement, and solar rooftop generation solutions, respectively, in support of our nation's infrastructure and construction sectors.

In 2022, even as the local construction industry began to recover following the easing of pandemic constraints, further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war resulted in a sharp increase in landed cost of inputs for the domestic construction industry. In response, the PHINMA CMG implemented cost management and margin optimization initiatives to continue its revenue growth while also positioning itself for improved operating results in the future.

UGC managed costs and improved margins to address the global volatility. More importantly, the company expanded two new distinct divisions to focus on promising businesses with potentially higher margins. The Light Steel Frames and Insulated Panels divisions position UGC to capture more growth as the global economy stabilizes. Philcement strengthened relationships with customers, maintained sales volumes, and recalibrated strategies to focus on higher margin products and markets in 2022. Meanwhile, PHINMA Solar continued to expand in the residential market, reduced build costs, and leveraged group synergies through joint selling efforts with UGC.

The Construction Materials Group combined posted revenues of P13.25 billion for 2022, a 9.07% increase over the previous year. Net income for the group of P494.88 million was lower than the previous year due to the abnormal global supply chain issues and the strong US Dollar.

PHINMA Property Holdings Corporation (PHINMA Properties) seeks to make lives better through creating sustainable communities and townships for middle-income Filipino families. In 2022, PHINMA Properties closed the year with record high net reservations and revenue recognition leading to improved financial results. In our hospitality business, the two hotels operating under Coral Way City Hotel Corporation began recovering leisure and corporate bookings as pandemic restrictions were removed. The Company correspondingly recognized higher earnings contributions from these two associates amounting to P58.01 million in 2022.

In 2022, the Company in coordination with its financial advisors facilitated several online corporate access events to enhance visibility in the capital markets in support of the overall plan to improve shareholder values. PHINMA launched the PHINMA Certificate of Readiness (PHINMA CORE) Program to continue to develop its bench and to prepare for the future growth of its businesses.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2022 with total assets of P32.01 billion, and a current ratio and debt-to-equity ratio of 1.71:1.00 and 1.87: 1.00, respectively.

The Company is happy to report that the Board has declared a regular cash dividend of P0.60 per share, which is payable on 5 April 2023.

The Company is also delighted to share how it has made lives better outside the business, through its volunteer and scholarship programs. Last September, PHINMA Group mobilized over 800 employees, scholars, and their families to help with Brigada Eskwela, the Department of Education's annual school improvement initiative. The Company's efforts benefitted 40 public schools across the country. In November, as part of PHINMA's 66th anniversary, some 1,300 volunteers once again gave their time and talent in various PHINMA Reaches Out activities, which ranged from bloodletting, tree-planting, and coastal and river clean-up drives.

Last year, 47 deserving students were inducted into the PHINMA National Scholarship (PNS) program. With this recent addition, the program now nurtures 99 scholars from Philippine Normal University, University of the Philippines, Polytechnic University of the Philippines, and PHINMA University of Pangasinan. As these scholars complete their tertiary education, they will add to PNS' growing list of alumni which currently numbers 252. More significant to note is the fact that the PHINMA Education network supports the schooling of about 60% of its student population with the Hawak Kamay scholarship, which reduces tuition by up to 75%, based on the student's capacity to pay. Hawak Kamay boasts of at least 74,000 beneficiaries, making it the single largest private sector-driven scholarship program in the country today.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2022	December 2021
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[5]	**11.94%**	16.05%
Gross Profit Margin	Gross Profit[6] / Total Revenues	**24.74%**	28.05%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**-7.30%**	5.80%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.71:1.00**	1.71 : 1.00
Debt-to-Equity Ratio	Total Liabilities / Total Equity	**1.87:1.00**	2.02 : 1.00

Profitability

The return on equity of 11.94 % in CY 2022, is lower than 16.05% return of the previous year due to lower net income in 2022, coupled with higher equity resulting from the CY2022 net income and sale of treasury shares in September 2022. Gross profit margin decreased from 28.05% to 24.74% in 2022 due to increased

[5] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.
[6] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

input costs, given the abnormal supply conditions and weakening of the peso.

Efficiency

Net cash outflow from operations amounted to ₱1,289.70 million in CY 2022 compared to net cash inflow of ₱929.82 million in CY 2021, mainly due to increase in trade and other receivables and in inventory of CMG and the schools, as well as payment of trust receipts by CMG.

Liquidity

Current ratio remained the same at 1.71:1.00 in CY 2022 as there were minimal net movements with current assets and current liabilities.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2022 decreased from 2.02:1.00 to 1.87:1.00, mainly due to higher equity resulting from net income for the year and sale of the treasury shares.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2022	December 2021
Asset to Equity	Total Assets / Total Equity	**2.87**	3.02
Interest Rate Coverage Ratio	EBITDA[7] / Interest Expense and Other Financing Charges	**4.17**	4.97

Asset to Equity ratio of PHN and subsidiaries as of end December 2022 decreased from 3.02 to 2.87 due to increase in total equity from ₱9.97 billion in 2021 to ₱11.14 billion in 2022, mainly due to net income and sale of treasury shares.

Interest rate coverage ratio decreased from 4.97 in 2021 to 4.17 in 2022, due to lower earnings in CY 2022, as compared to CY 2021.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default

[7] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

d. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The easing of pandemic constraints followed by further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war, resulted in a sharp increase in input costs, which significantly affected the Company's margins. Their impact is reflected in the financial statements as of December 31, 2022. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

g. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2022, the Group's total consolidated assets stood at ₱32.01 billion, higher by 6.19 % than the ₱30.15 billion total consolidated assets as of December 31, 2021.

Similarly, total consolidated liabilities amounted to ₱20.87 billion, higher by 3.44 % or by ₱694.83 million than total consolidated liabilities as of December 31, 2021.

The following are the material changes in account balances:

ASSETS

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The drop in the account is mainly attributable to maturity of investments in UITFs of the parent company.

Trade and other receivables
The net increase in trade and other receivables is attributable to higher trade receivables from CMG on the back of improved selling prices and higher volume.

Inventories
The net increase in inventory of P401.95 million is attributable to higher input costs in 2022.

Input value-added taxes and other current assets
The net increase in this account is attributable to increase in prepaid expenses and prepaid taxes from CMG and the schools

Derivative asset - current
Higher forward rates on CMG's deliverable forward contracts compared to closing rate resulted in a derivative liability, hence the decrease in this asset account.

Investment in associates and joint venture
The increase of P165.55 million is mainly due to additional investment of Phinma Education in IPM

Financial asset at fair value through profit or loss
The increase of P103.85 million is due to the mark-to-market gain on investment in preferred shares of Songlam.

Property, plant and equipment
The P916.52 million increase is due to the purchase of land in COC, continuing construction activities in various school buildings and CMG plant site, hospital renovation and purchase of transportation and machinery equipment.

Right-of-use assets
The ₱20.21 million decrease represents the depreciation of the right-of-use assets of CMG.

Deferred tax assets - net
The 26.46% increase in this account pertains mainly to an increase in deferred tax assets of CMG, SWU and RCL.

Derivative asset – non-current
The increase of P137.62 million is due to unrealized gain on the put option on the investment in Song Lam preferred shares

Other noncurrent assets
The 16.98% increase in this account pertains mainly to the increase in advances to suppliers and contractors, in relation to the on-going construction and renovation of the schools.

LIABILITIES

Notes payable
The P1.85 billion increase in this account is attributable to the short-term notes that CMG availed of in 2022.

Trade and other payables
The increase of ₱ 172.79 million in trade and other payables represents increase in trade and other payables of the various schools partially offset by payments made by CMG and parent.

Contract Liabilities
The increase in contract liabilities is attributable to the higher enrolment in SY22-23 vs SY21-22. Tuition fees are accrued as payables at the start of the semester and decrease as the revenue is earned over the semester.

Trust receipts payable
The decrease of ₱1.58 billion in the account is attributable to settlement of CMG's trust receipts payable

using the proceeds from the short-term loans.

Derivative liability
The increase in this account is mainly attributable to higher forward rate on CMG's deliverable forward contracts compared to closing rate for the period, resulting in a derivative liability.

Income and other taxes payable
The increase in this account is attributable to increase in tax payable from the schools.

Current portion - long-term debt
The increase in this account resulted mainly from re-classification of a portion of long-term debt of CMG which became current towards the latter part of 2022.

Due to related parties
The drop in this account is mainly attributable to payment of amounts due to the parent holding company.

Non-controlling interest put liability
The movement represents the increase in present value of the contingent amount payable by PHINMA Corporation to non-controlling shareholders of PHINMA Education.

Pension and other post-employment benefits
The increase in the account represents increased accrual of retirement benefits by CMG.

Lease liability
The decrease in the account amounting to ₱36.18 million represents periodic lease payments by UPang.

EQUITY

Treasury shares
The movement in the account represents the sale of 14.41 million treasury shares in 2022.

Exchange differences on translation of foreign operations
The movement in the account represents the adjustments arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves
The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education.

Share in other comprehensive income of associates
The change is attributable to other comprehensive income of ABCIC Property Holdings Inc.

Retained earnings
The increase in the account represents increase in net income for the year, partially offset by dividends declared during the period amounting to ₱135.93 million.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools and in CMG offset by the impact of the accretion of the contingent NCI put liability.

Material Changes in Income Statement Accounts

Revenues
The P1.63 billion increase in revenues is mainly due to higher CMG revenues and higher enrollment in schools.

Cost of sales
The P1.76 billion increase in cost of sales is attributable to higher costs of raw materials, fuel and freight faced by CMG, and higher cost of learning materials and other direct costs as students returned to face to face classes.

General and administrative expenses
General and administrative expenses also increased from previous year due to higher costs resulting from volatile supply situation as well as higher personnel cost to support increased enrollment in SY2223.

Selling expenses
The decrease in the account can be attributed to the manpower rationalization in CMG.

Interest expense and other financing charges
The increase in interest expense and other financing charges resulted from the P3 billion corporate bond issued during third quarter of last year as well as the additional long-term debt obtained by Philcement during the last quarter of 2021.

Equity in net earnings (losses) of associates and joint ventures
Equity in net earnings of investees increased in 2022 due to higher equitized earnings in Phinma Property Holdings Corp.

Foreign exchange gains (losses) - net
In 2021, the foreign exchange gain arose from the dollar-denominated assets of the parent company, earmarked for the investment in Song Lam. For 2022, the forex gain is attributable to PEHI's USD holdings restated at the forex rate of P55.755: $1 compared to P50.99: $1 as of December 31, 2021.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
Increase in this account is attributable to the increase in fair value of the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivatives mainly resulted from the increase in value of the put option on the Song Lam preferred shares.

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of PPE of the Construction Materials group.

Others – net
The decrease in this account is mainly due to the lower other income of CMG and Phinma Education compared to CY 2021

Provision for (benefit from) income tax
The provision resulted mainly from the deferred tax adjustments of PHINMA Education.

CALENDAR YEAR 2021

2021 marked the second year of the pandemic, which has posed a new set challenges for all of us. As our nation continues to embrace these challenges, the PHINMA Group has become even more determined to pursue its mission of making lives better by giving communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life. Despite the prolonged impact of the pandemic, your Company successfully achieved major milestones, including the acquisition of its tenth tertiary education institution, its first bond issuance in over 25 years, and vaccine rollout for employees and their dependents. Based on the proven resiliency and innovative strategies of its business units, we believe PHINMA Corporation has established a strong base for sustained growth.

In 2021, your Company posted consolidated revenues of ₱16.04 billion and consolidated net income of ₱1.87 billion. This represents a 250-percent growth in bottom line on the back of strategic business units that continued to achieve strong results amid a challenging business environment.

Our Education Group, led by *PHINMA Education Holdings, Inc.*, significantly exceeded its pre-pandemic performance owing to record-breaking enrollment for SY 2021-2022. Our Construction Materials Group, comprised of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation,* posted higher revenues and nearly maintained its bottom line through strategic partnerships, operational efficiencies, and margin optimization initiatives. *PHINMA Property Holdings Corporation* achieved growth by capitalizing on a shift in demand trends driven by the pandemic. Meanwhile, our two hotels in the Mall of Asia complex, operating under *Coral Way City Hotel Corporation*, sustained occupancy and positive cash generation through quarantine bookings.

2021 Highlights

PHINMA Education holds the group's investment in tertiary education schools in the Philippines and Southeast Asia. PHINMA Education was able to grow its network to nine schools in the Philippines through its acquisition of PHINMA Union College of Laguna (PHINMA UCL) last May 2021 in line with its plans to strengthen its offerings in Laguna. PHINMA Education also continues to manage Horizon Karawang in Indonesia and formally launched the Horizon Education brand to the public in December 2021.

Despite the worsening learning crisis in the country with face-to-face classes still suspended, PHINMA Education successfully hit record-breaking enrollment in SY 2021-2022 and welcomed 95,503 students. This marked a 31% growth in enrollment from the previous school year and is a testament to PHINMA Education's successful implementation of distance learning systems starting in 2020.

Leveraging on learnings from the previous year, PHINMA Education continued to respond to challenges in creative and proactive ways with the goal of maintaining the quality and accessibility of its offerings. Apart from enrollment, PHINMA Education achieved higher-than-expected results in key indicators like student retention and employment. PHINMA Education also continued to produce strong student-based outcomes in SY 2020-2021, including a board passing rate of 78 percent for first-time takers as well as 10 additional board exam topnotchers.

The remarkable growth achieved by PHINMA Education in 2021 has resulted in consolidated revenues of ₱3.69 billion, a 76-percent increase year-on-year. An additional contributor to this was the delayed recognition of some revenues from SY 2020-2021. Consolidated net income, on the other hand, rose to ₱1.02 billion.

Our Construction Materials Group consists of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation*, which boost our nation's infrastructure and construction sectors by supplying galvanized iron and steel building products, cement, and solar rooftop generation solutions. In 2021, demand for construction materials was buoyed by a recovery in construction activities. However, our Construction Materials Group faced a new set of challenges during the year which were primarily driven by global supply chain disruptions. In response to these challenges, the group focused on leveraging its competitive advantages and optimizing its margins.

Union Galvasteel Corporation (UGC) saw an improvement in performance in 2021 despite obstacles brought about by an industry slowdown, material availability constraints, and higher input costs. UGC responded to these by capitalizing on its market leadership through margin optimization initiatives, including selling price increases, and cost efficiencies realized in logistics and manufacturing. We are also proud to share that in response to the devastation caused by Typhoon Odette last December, UGC was able to utilize its wide distribution network to continue to ensure the stable supply of roofing products in key locations across the country. Additionally, all roofing sheets were made available at pre-typhoon prices without sacrificing product quality.

On the back of the recovery of domestic construction activities, *Philcement Corporation* (Philcement) successfully was operating near capacity in 2021. This strengthened its resilience against a substantial increase in its costs due to global supply chain disruptions. In order to manage these cost increases and improve margins, Philcement began to manufacture its own blended cement. Philcement also leveraged its strategic relationship with the Vissai Group and implemented logistics optimization strategies to manage the impact of increasing freight costs on its margins. In May, 2021, your Company closed on its strategic investment in Song Lam Cement Joint Stock Company, which will assure Philcement of a steady supply of quality cement to support expanding infrastructure development projects.

Moreover, *PHINMA Solar Energy Corporation* (PHINMA Solar) successfully shifted its business model to capture more pandemic-resilient industries, including residential and retail markets as well as small to medium commercial projects. PHINMA Solar also ramped up its sales effort and leveraged synergies with UGC in the areas of sales and logistics. As a result, the company achieved profitability for the first time in 2021.

Together, the Construction Materials Group achieved a 20-percent growth in topline and booked ₱12.14 billion in consolidated revenues in 2021. Meanwhile, despite severe cost pressures faced in 2021, the Construction Materials Group attained ₱902.08 million in consolidated net income, demonstrating the group's resilient strategies and ability to quickly and innovatively respond to challenges.

PHINMA Property Holdings Corporation (PHINMA Properties) is the group's property arm which seeks to make lives better through creating sustainable communities for middle-income Filipino families. In 2021, PHINMA Properties showed an improvement in performance owing primarily to higher sales amidst delays in new project launches because of the pandemic. The company successfully sold out residences at Arezzo Place, Pasig and Hacienda Balai, Quezon City, and ended the year with a cumulative total of 16,264 residential units sold. Moreover, at our hospitality business, your two hotels under *Coral Way City Hotel Corporation* have managed to sustain occupancy despite the pandemic's impact on travel and tourism by serving as accredited quarantine facilities for returning Filipinos. Your Company correspondingly recognized higher net earnings from associates amounting to ₱28.61 million in 2021.

Apart from the milestones achieved by its strategic business units, 2021 also marked your Company's first public bond issuance in more than 25 years, which was well-received by the market and was more than 9 times oversubscribed. The ₱3.00 billion raised through this issuance has been deployed to support growth and enhance operational efficiencies across our strategic business units. The bond issuance is part of your Company's overall value building plan and will be the first of many capital market transactions to come for the PHINMA Group.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2021 with total assets of ₱30.08 billion, and a current ratio and debt-to-equity ratio of 1.71: 1.00 and 2.03: 1.00, respectively.

Finally, in celebration of the key milestones achieved by your Company in 2021, we are happy to report that the Board has declared a regular cash dividend of ₱0.40 per share, along with a special cash dividend of ₱0.10 per share, which were both paid on 6 April 2022.

Educational Services

PHINMA Education Holdings, Inc. (PHINMA Education) is the strategic business arm of the PHINMA Group which aims to make lives better by providing quality education, adapting to the evolving needs of the underserved youth in the Philippines and Southeast Asia.

PHINMA Education owns and operates schools in key cities in the Philippines. Outside the National Capital Region (NCR), these include PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), and PHINMA University of Iloilo (PHINMA UI). The PHINMA Education NCR network is composed of PHINMA St. Jude College (PHINMA SJC), PHINMA Republican College (PHINMA RC), and two schools, in a Laguna subnetwork, PHINMA Rizal College of Laguna (PHINMA RCL) and PHINMA Union College of Laguna (PHINMA UCL).

PHINMA UCL, acquired in May 2021, is the newest institution under the PHINMA Education network, now poised to further strengthen PHINMA Education's offerings in the Laguna province. The college presently offers undergraduate courses targeting employment, including Accountancy, Business Administration, Information Technology, Hospitality Management, Psychology, Education, and Criminology. With two schools now in the subnetwork, PHINMA Education plans to continue to expand in Laguna.

PHINMA Education also owns a majority stake in Southwestern University PHINMA (SWU PHINMA) in Cebu, which serves the region's mid-income market as well as a growing number of international students. It provides highly competitive programs that cater to health and allied health sciences, with graduates consistently placing within the top ten of board licensure examinations in the country and abroad.

In Indonesia, PHINMA Education manages Horizon Karawang in West Java through PT IndPhil Management (IPM). The STMIK and STIKES colleges of Horizon Karawang cater to underserved markets, specializing in Nursing and Information Technology programs that boast an 80%-100% licensure exam success rate. The Horizon Education brand was formally launched to the public in December 2021 at the virtual event, *Horizon Rising*.

Despite the ongoing pandemic, In SY 2021-2022, PHINMA Education welcomed 94,452 students in the Philippines and 1,051 in Indonesia, a 31% increase from total enrollment of 72,746 students in SY 2020-2021. The increase in enrollment resulted in Consolidated Revenues of ₱ 3.69 billion, a 76% increase year-on-year. Consolidated Net Income, on the other hand, rose to ₱ 1.02 billion.

PHINMA Education's mission has always been aligned with the United Nations' Sustainable Development Goals for the country for 2030. Beyond its focus on educating underserved youth, PHINMA Education implemented programs to strengthen sustainability in the schools and increase social and political awareness among students.

In January 2021, PHINMA Education spearheaded the first ever annual *Education@theMargins: A Global Alliance* conference, gathering education industry experts from several countries including the Philippines to tackle issues such as the widening gap in education, how to help marginalized students cope with the pandemic, and tech solutions to marginalized education.

In March 2021, PHINMA Education contributed a chapter to the *World Scientific* publication, ”Univer-Cities: Reshaping Strategies to Meet Radical Change, Pandemics and Inequality - Revisiting the Social Compact?” The chapter discussed how the company is responding to three major challenges underserved students face at higher education institutions (HEIs).

In April 2021, the company institutionalized an Environmental and Social Management System (ESMS) Policy across its constituent campuses. All PHINMA Education schools now have a waste segregation scheme in place via an on-site Material Recovery Facility (MRF). The company is also steadily expanding its use of green technologies, including solar panels, rainwater catchment systems, gray water facilities, and sewer treatment plants.

In August 2021, PHINMA Education hosted two webinars with Chel Diokno, a Filipino lawyer, educator, and human rights advocate who serves as chairman of the Free Legal Assistance Group and the founding dean of the De La Salle University College of Law. The webinars, which focused on human rights and the justice system, were attended by students across the PHINMA Education network in the Philippines.

Later in the year, PHINMA Education released a series of white papers through the Education@theMargins website newsletter, focused on youth and civic engagement and the impact of the pandemic on college retention. The white paper discussed MULAT, a nationwide civic engagement and education program launched in 2020.

Through MULAT, educators implement curricular and extra-curricular interventions to increase the students’ social awareness and promote human dignity, educating them about their rights and encouraging them to take an active role in pursuing positive social change in the Philippines. As MULAT is aligned with the overall mission of PHINMA, the company has folded this into its classroom curriculum and college experience, focusing on modules that raise social and political awareness and inculcate values of good citizenship and active civic participation.

In 2021, as part of its initiatives to strengthen and improve corporate governance in the organization, the company organized Board Committees with independent directors to oversee key governance areas including Nominations, Remunerations, and Risk Oversight.

2021 was a pivotal year for PHINMA Education as it moved towards recovery from the initial effects of the COVID-19 pandemic. Forays into alternative learning systems and more accessible financing options instituted in the previous year have paid off with higher-than-expected results in key indicators including enrollment, retention, and employment. With further improvements in corporate governance and continued network additions, PHINMA Education is poised to continue further growth in the years to come as it expands even further in the country and throughout Southeast Asia.

Construction Materials

In 2021, sustained vaccination campaigns and lower cases of infection in the second half of the year allowed business sectors to open up and increase operating capacities. As COVID-19 related restrictions were eased, the construction industry posted a significant recovery, growing 9.8% over the year. Investment in construction measured via gross capital formation rose 10.6% as downstream sectors such as real estate and tourism heavily affected by the pandemic began to recover.

While construction activities rebounded in 2021, the challenges to contain the Delta variant in the 2nd half of the year dampened hopes for a much stronger economic recovery. Meanwhile, global supply chain disruptions affected the availability of raw materials and the cost of international freight, which led to higher costs of landed inputs for domestic construction materials suppliers. Hampered by the cancellation of export subsidies from China, the world’s largest supplier, domestic flat steel firms also experienced soft demand. On the other hand, the local cement industry, based on management’s own estimates, climbed 12-14% year-on-year on increased infrastructure investments.

With greater experience in navigating the pandemic, the firms under the PHINMA Construction Materials Group (PHINMA CMG) – Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar) - responded by sustaining “new normal” protocols and recalibrating operations and strategies to the volatile business environment. Supported by the PHINMAVax vaccination programs of PHINMA, the group has been able to operate continuously while keeping its employees safe and protected against COVID.

In 2021, UGC again managed to deliver gains despite soft demand and supply challenges. The company implemented margin optimization and cost management initiatives, primarily on production and logistics, to support a solid bottom line by year-end.

Philcement continued to perform encouragingly well in 2021, supported by sound sales performance and more efficient operations. To partially offset external shocks which led to the sharp rise in the cost of its inputs, the company implemented measures to keep customers engaged, manage margins and improve productivity across functions. Initiatives in the areas of production, quality, and distribution enabled the company support the cement requirements of its growing customer base.

In the midst of the pandemic, Phinma Solar made modest returns in 2021 as potential customers put investment decisions on hold. Supported by its competitive advantages in the construction materials industry, PHIMA Solar actively pivoted towards the residential segment instead of the institutional sector. This alignment in strategy is expected to enhance the synergies between Phinma Solar and its two affiliates, UGC and Philcement.

PHINMA CMG closed 2021 with a decent performance, with the three firms contributing total revenues of ₱ 12.14 billion, an increase of 20% from the previous year. Total net income for the group was ₱ 902.08 million.

With the worst of the pandemic hopefully behind, PHINMA CMG maintains an optimistic yet cautious outlook for 2022. As the group's journey continues, it understands the challenges and uncertainties as well as opportunities that lie ahead. To sustain the momentum and common success of the three companies, PHINMA CMG needs to continue to perform well, learn from the lessons of the past, and ultimately remain engaged and deliver on its commitment to improve lives by providing materials to build a better future.

Properties

PHINMA Property Holdings Corporation (PPHC) seeks to make Filipino lives better by creating sustainable communities and townships based on ergonomic and green architecture. The company's vision is to be the preferred property developer in providing Filipinos the essentials for dignified living, developing communities inspired by the traditional Filipino *Bayanihan* spirit.

Since its inception in 1987, PPHC heeded the call for nation building, becoming an early pioneer of vertical metropolitan development and spearheading Medium Rise Buildings (MRB)s for the low-income market within Metro Manila. PPHC continues to be a major player in this highly competitive market, with sold-out residences at Arezzo Place, Pasig and Hacienda Balai, Quezon City. The company has also expanded further into the market segment in places such as Uniplace @ SWU Village, in Cebu City.

Inspired, well-built, conveniently located, and competitively-priced living spaces are a hallmark of PPHC, enabling it to weather market downturns including challenges posed by the COVID-19 pandemic. In 2021, PPHC started the year strong, posting high average monthly reservations despite a host of issues. The COVID-19 lockdowns over the year were compounded by a rise in sales reservation cancellations due to a moratorium on pandemic assistance loans as well as a shift in VAT regulatory guidelines. In addition, super typhoon Odette battered Cebu and Davao, directly affecting the company's developments in those areas.

Despite these setbacks, the company capped 2021 on a high note, rallying in the fourth quarter to end the year with a total of 688 residential units sold. Phinma Corporation equitized net income of ₱ 40.87 million in PPHC.

In 2021, PPHC continued to expand related businesses. Community Property Managers Group, Inc. (CPMGI), a subsidiary engaged in property management and leasing, now services close to 28,000 units for PPHC as well as for other property developers. Meanwhile, the *Community Developers and Construction Corporation* (CDCC), PPHC's own construction division that pioneered the use of the Tunnel Formwork System, has expanded its operations to provide construction and construction management services to external clients as well as the PPHC. To date, this group has built a total of 21,334 for PPHC and for other private developers and LGUs.

During the pandemic, PPHC listened to its customers, finding that many, particularly millennials and new-nesters, place more value now on ownership versus home rental. PPHC has always strived to be the preferred developer for first-time Filipino homebuyers seeking to live in nurturing communities. The company has designed its portfolio to cater to these new-nesters, who account for as much as 90% of our clientele.

There has also been a marked increase in the demand for properties in emerging "new wave" areas outside of established central business districts. In recent years, PPHC has seen a progressive shift among prospective homeowners to expand into emerging cities. This has been spurred by the abrupt changes brought by the COVID-19 pandemic, which has driven demand for mixed-use spaces that allow work or study from home. The crisis has also driven demand for low-density housing. PPHC is moving to address both these needs by delivering tailored products and services—particularly green and ergonomic architecture—within a trustworthy, high-touch customer service experience. PPHC is poised to meet rising demand in provinces where it already has a foothold, particularly in Batangas, Davao, and Cebu. The first of these projects, PHINMA Maayo, is already being executed in San Jose, Batangas, and Tugbok, Davao. Through mostly horizontal developments such as single detached, single attached, and townhouse units, PPHC aims to minimize working capital while maintaining profitability, even as the company remains on the lookout for traditional vertical development opportunities.

Moving forward, aside from residential projects, PPHC is considering township developments in emerging regions across the country, due to the better availability of land and the shift in demand. Mixed-use developments considered could be zoned with residential, commercial, office, transportation, hotels/condotel, schools, or recreational areas. These towns will be master planned in collaboration with high-profile designers, ensuring features and amenities that are attuned to the needs and lifestyle of the local market. The residential portion of the townships will be composed of both middle-income and high-end units to maximize land use and generate increased project returns.

PPHC remains driven by its mission of making lives better while meeting aspirations of various stakeholders. The company weaves the cherished Filipino *Bayanihan* spirit into all its endeavors as it cooperates with shareholders, creditors, and employees to provide first time Filipino families essential homes as part of a dignified life.

Hospitality

PHINMA Hospitality Inc., the hospitality arm of PHINMA Group, operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines. It is also a joint venture partner in majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia. PHINMA Corporation, through Asian Plaza Inc., has a 36% equity interest in PHINMA Hospitality as well as a direct 24% equity interest in Coral Way City Hotel Corporation (Coral Way), owner of Microtel by Wyndham Mall of Asia. Coral Way's wholly owned subsidiary, Krypton Esplanade Hotel Corporation owns the 191-room TRYP by Wyndham Mall of Asia.

The pandemic severely affected the global travel and tourism industry from 2020 up to 2021. Because of continued restrictions on land, air and sea travel worldwide, border closures, and health and safety concerns, demand for business and leisure travel was at an all-time low. However, Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia were able to maximize demand for quarantine-related accommodation which comprised the majority of hotel bookings for 2021.

Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia served as accredited quarantine facilities, providing safe and comfortable accommodations to returning Overseas Foreign Workers under the Overseas Workers Welfare Administration repatriation program, seafarers from various shipping companies, corporate travelers, and returning Filipinos. In response to the COVID-19 situation, the hotels ensured that health and safety protocols were strictly implemented.

In 2021, Microtel by Wyndham Mall of Asia and its subsidiary TRYP by Wyndham Mall of Asia achieved a combined average occupancy of 83% and posted positive cash flow for the year. Equity in net loss from the hospitality group amounted to ₱ 12.04 million.

The hotel industry will continue to face challenges moving forward as companies have adapted to work-from-home arrangements, online meetings, and travel restrictions. The ongoing pandemic has also resulted in changes in the travel and booking behavior of the market. We remain optimistic that demand from the leisure, corporate and meetings/events markets will slowly build-up and drive occupancy in our properties as international and domestic travel recover.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2021	December 2020
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[8]	**15.96%**	2.61%
Gross Profit Margin	Gross Profit[9] / Total Revenues	**28.26%**	26.54%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**5.67%**	9.04%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.71:1.00**	1.53 : 1.00
Debt-to-Equity Ratio	Total Liabilities / Total Equity	**2.03:1.00**	1.86 : 1.00

Profitability

The return on equity of 15.96 % in CY 2021, is higher than 2.61% return for the previous year due to steady performance of the CMG business and improved performance of PHINMA Education. Gross profit margin increased from 26.54% to 28.26% in 2021 mainly due to optimized gross profit margin contribution of the schools and the Construction Materials Group.

Efficiency

Net cash inflow from operations in CY 2021 was ₱908.87 million compared to net cash inflow from operations of ₱1.11 billion for CY 2020. The decrease was due to the increase in trade and other receivables of the schools and CMG as well as decrease in trust receipts payable of CMG.

Liquidity

Current ratio increased from 1.53:1.00 in CY 2020 to 1.71:1.00 in CY 2021 resulting from the increase in trade and other receivables of the schools and CMG.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2021 increased from 1.86:1.00 to

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[8] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.
[9] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

2.03:1.00, mainly due to issuance of the parent company's corporate bond.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2021	December 2020
Asset to Equity	Total Assets / Total Equity	**3.03**	2.86
Interest Rate Coverage Ratio	EBITDA[10] / Interest Expense and Other Financing Charges	**4.96**	2.79

Asset to Equity ratio of PHN and subsidiaries as of end December 2021 increased from 2.86 to 3.03 due to increase in total assets from ₱24.47 billion in 2020 to ₱30.08 billion in 2021. The increase is mainly due to the increase in trade and other receivables of the schools and CMG as well as the increase in fair value of the parent company's investment in Song Lam, presented as a financial asset at fair value through profit or loss.

Interest rate coverage ratio increased from 2.79 in 2020 to 4.96 in 2021, due to stable performance of the CMG business and improved performance of the schools.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

[10] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

e. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The COVID-19 surges in Q1 and Q3 have resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of December 31, 2021. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

h. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2021, the Group's total consolidated assets stood at ₱30.08 billion, higher by 22.92% or by ₱5.61 billion than the ₱24.47 billion total consolidated assets as of December 31, 2020.

Similarly, total consolidated liabilities amounted to ₱20.15 billion, higher by 26.57% or by ₱4.23 billion, than total consolidated liabilities as of December 31, 2020.

The following are the material changes in account balances:

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The 38.46% decrease in investments held for trading is mainly attributable to redemption of Phinma Solar's and the schools' investments in unit investment trust fund (UITF) as well as the redemption of the parent company's investment in Song Lam preferred shares in May 2021.

Trade and other receivables
The 44.21% increase in trade and other receivables is attributable to increase in receivables of the schools on the back of increased enrolment and increase in the receivables of the Construction Materials Group (CMG) and safeguard duties in relation to Philcement's importation of cement.

Inventories
The ₱366.07 million increase in inventory mainly represents the increase in CMG's product costs due to global supply chain disruptions due to COVID-19 surges.

Input value-added taxes and other current assets
The increase in the account of ₱58.23 million represents mainly the increase in prepaid expenses and prepaid assets of the Construction Materials Group and the increase in the deferred scholarship and discounts of the schools. The latter is amortized and charged to expense over the semester.

Financial asset at fair value through profit or loss
The account represents the parent company's $50 million investment in Song Lam, carried at fair value.

Property, plant and equipment
The P1.16 billion increase in PPE was mainly due to the completion of Philcement's port facility in Mariveles, Bataan and construction and building improvements of the schools.

Deferred tax assets - net
The 24.57% decrease represents mainly the decrease in deferred tax assets of the Construction Materials Group and SWU.

Derivative asset – non-current
The derivative asset pertains to the value of the put option of Phinma Corporation with respect to the investment in Song Lam preferred shares.

Right-of-use assets
The decrease in right of use assets of ₱63.26 million represents mainly the depreciation of the right-of-use assets of CMG and UPang.

Other noncurrent assets
The decrease in noncurrent assets pertains mainly to the reclassification of the amount of ₱ 255 million from advance to Song Lam to investment in preferred shares of Song Lam, partially offset by the increase in long-term receivable of Phinma Solar and other non-current assets of PEHI.

Notes payable
The decrease in the account amounting to ₱395.74 million represents payment of short-term borrowings of the parent company, AU, COC, UI and SWU, partially offset by the additional borrowings of CMG.

Trade and other payables
The increase of ₱ 354.6 million in trade and other payables represents increase in trade and other payables of the various schools and of the parent company.

Trust receipts payable
Net decrease of ₱319.44 million was mainly due to a decrease in trust receipts payable of the Construction Materials Group

Contract Liabilities
The increase in contract liabilities is attributable to the schools. Tuition fees are accrued as payables at the start of the semester and decrease as the revenue is earned over the semester.

Income and other taxes payable
The decrease in the account of ₱3.57 million represents the decrease in tax payable of the schools and the Construction Material Group due to lower income tax rate due to the implementation of the CREATE law.

Due to related parties
The ₱31.77 million increase in the account represents payable of the parent company and Phinma Education to the ultimate parent, Phinma Inc.

Derivative liability
The group has no derivative liability as of December 31, 2021.

Long-term debt – net of current portion
The increase in the account represents the ₱3.0 billion corporate bond issued by the parent company during the year and the availment of additional long-term loan by Philcement for working capital requirements and the Mariveles port facility.

Lease liability
The decrease in the account represents the lease payments of Construction Materials Group net of pre-termination.

Non-controlling interest put liability
The account represents the present value of the contingent amount payable by PHINMA if the non-controlling shareholders of PHINMA Education exercise their put option on PHINMA Education shares. The increase in the account is the accretion of the present value of the liability during the year.

Other noncurrent liabilities
The decrease in the account in the amount of ₱2.56 million is primarily a decrease in other noncurrent liabilities of the schools.

Share in other comprehensive income of associates
The change is due to an increase in fair value of financial assets held by ABCIC Property Holdings Corporation.

Exchange differences on translation of foreign operations
The movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PHINMA Education Myanmar to Philippine pesos.

Equity reserves
The movement in the account arises from the increase in the liability on the put option on shares of Phinma Education Holdings Inc.,net of the increase in the carrying value of the said shares.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools and in CMG offset by the impact of the accretion of the NCI put liability.

Treasury shares
The movement in the account represents the buyback of 456,600 shares of Phinma Corporation from the market during the year.

Material Changes in Income Statement Accounts

Revenues
The 30.37% increase in the account is mainly due to the performance of the Construction Materials group, higher enrolment and higher retention of students for the schools and accrual of interest income by the parent company for its investment in preferred shares of Song Lam.

Rental revenue declined primarily due to decrease in rental income of the schools due to the pandemic. On the other hand, investment income increased due to an increase in interest income of the parent company.

Cost of sales
The ₱2.47 billion net increase in cost of sales is largely attributable to higher production cost of the CMG business, resulting from global supply chain disruptions and the increase in raw material costs throughout the year.

General and administrative expenses
The 20.36% increase in general and administrative expenses is mainly driven by the schools' higher number of enrolees in 2021.

Selling expenses
The 13.68% increase in selling expenses is attributable to the Construction Materials Group's increased selling efforts during the pandemic period.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
The amount represents the unrealized fair value gain on the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivative is the increase in the value of the put option of PHN with respect to the investment in Song Lam preferred shares.

Foreign exchange gains (losses) - net
Foreign exchange gain of ₱56.24 million as at December 31, 2021 arose from the restatement of dollar denominated assets, largely earmarked for dollar-denominated investments of PEHI and restated at an exchange rate of ₱50.999 to US$1.00.

Equity in net earnings (losses) of associates and joint ventures
In CY 2021, PHN equitized income in Phinma Property Holdings Corp. improved to ₱ 40.8 million

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of vehicles of the Construction Materials group.

Loss on deconsolidation
In 2020, Phinma Corporation booked a loss on deconsolidation arising from the sale of its investment in ICI Asia.

Others – net
Other income decreased by ₱4.5 million due to a decrease in other income of the schools.

Provision for (benefit from) income tax
The decrease in provision for income tax reflects the lower income tax rate of the subsidiaries as a result of the implementation of the CREATE law.

Brief Description of the General Nature and Scope of Business of the Company

Parent Company

The Company was incorporated in the Philippines on March 12, 1957. Its principal activity is investment in shares of various subsidiaries, associates, affiliates and other marketable equity securities. The ultimate parent company of PHN and its subsidiaries is Philippine Investment- Management (PHINMA), Inc.

On May 27, 2010, the Securities and Exchange Commission approved the change of name of the Company from Bacnotan Consolidated Industries, Inc. to Phinma Corporation.

On September 18, 2020, the Parent Company executed a deed of absolute sale with the President of ICI Asia for its entire ownership interest in ICI Asia for P0.5 million resulting to a loss of control to the latter by the Parent Company. As a result, the Company recognized a loss from deconsolidation amounting to P11.2 million and derecognized the net assets of ICI Asia.

On December 21, 2020, PHINMA approved the sale of its 225,000,000 shares of PHINMA Solar to UGC. The sale rationalized PHINMA's ownership structure in its Construction Materials group by consolidating in UGC 100% ownership in PHINMA Solar. PHINMA Solar is 98.01% indirectly-owned by PHINMA and 100% owned by UGC.

On July 17, 2023, the Parent Company completed the following transactions upon full payment and signing of Deed of Sale:

1. Purchase of investments of PHINMA Inc. in the following companies:

Company	**Description**	**PHINMA Inc.'s Direct Ownership**	**Transaction Value (₱in millions)**
PEHI	Holding company of the Company's education network comprised of 10 schools	8.03%	₱1,064.8
PPHC	Holding company of the Company's property development arm	36.71%	588.9
PHI	Management company of the Company's Microtel and TRYP hotels; part-owner in 7 hotels	63.77%	251.2
PHINMA Microtel Hotels	Master franchisor of Microtel and TRYP hotels in the Philippines	51.00%	21.2
APHI	Owner of real estate properties	63.47%	409.4
Total			**₱2,335.5**

The Parent Company and all the entities above are subsidiaries of PHINMA, Inc. before and after the business combination. Thus, the acquisition was accounted for as business combination under common control. The transaction is part of the consolidation of the group's strategic business units under PHINMA Corporation and will expand its exposure to these high-growth sectors. The Parent Company accounted the transaction using pooling of interest method.

2. Purchase of real estate properties from PHINMA, Inc. amounting to ₱507.1 million consisting of office floors/spaces in the Company's office building, PHINMA Plaza located in Rockwell Center, Makati City.

As of December 31, 2023, the Company's principal subsidiaries and its percentage of ownership are as follows:

Name of Subsidiaries	% of Ownership
Union Galvasteel Corporation (UGC)	98.01
Philcement Corporation (Philcement)	60.00
PHINMA Solar Energy Corporation (PHINMA Solar) [d]	98.01
Phinma Education Holdings, Inc. (PHINMA Education) [c]	75.21
PHINMA Property Holdings Corporation and subsidiaries (PPHC) [c]	76.81
PHINMA Hospitality, Inc. and subsidiaries (PHI) [c]	63.77
PHINMA Microtel Hotels, Inc. (PHINMA Microtel) [c]	51.00
ABCIC Property Holdings, Inc. (APHI) [c]	89.98
Asian Plaza, Inc. (API)	57.62
P & S Holdings Corporation (PSHC)	60.00
Career Academy Asia, Inc. (CAA) [a]	90.00
One Animate Limited, Inc. (OAL) [b]	80.00

(a) CAA ceased its operations on March 31, 2019.
(b) OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.
(c) On July 17, 2023, PHN acquired shares in the following companies: 36.71% ownership interest of PPHC; 63.47% ownership interest of APHI; 63.77% ownership interest of PHI; 51.00% ownership interest of PHINMA Microtel and 8.03% ownership interest of PEHI
(d) PHINMA Solar is 100% owned by UGC, thus PHINMA Corp. effectively owns 98.01% interest of PHINMA Solar

The principal activities of the subsidiaries are as follows

Name of Subsidiaries	Nature of Business
UGC	Manufacturing and distribution of steel products
Philcement	Manufacturing and distribution of cement products
PHINMA Solar	Sale and installation of solar rooftop systems
PHINMA Education	Holding company for investments in education
PPHC	Real estate development and construction and property management
PHINMA Hospitality	Hotel management and development
APHI	Sale of real and personal properties
API	Lease of real property
PSHC	Investment and real estate holdings
CAA	Educational institution
OAL	BPO - Animation services

The Company also has direct minority interest in the following companies:

Coral Way City Hotel Corporation	23.75%

Subsidiaries:

Construction Materials

PHINMA operates its construction materials business through three (3) subsidiaries, namely, Union Galvasteel Corporation ("UGC"), Philcement Corporation ("Philcement"), and PHINMA Solar Energy Corporation ("PHINMA Solar"), a wholly-owned subsidiary of UGC. The Construction Materials Group aims to maximize synergies among the various companies within the group to provide innovative construction solutions to its customers, offering one-stop shop services, from floor to roofing, and providing superior convenience and service to customers nationwide.

Union Galvasteel Corporation (UGC)

UGC started as the Union Steel Plant Division of BCII. It began commercial operations in 1963 with a galvanizing plant in Poro, La Union for the manufacture of Galvanized Iron sheets, expanding to Ilang, Davao City in 1968 and to Calamba, Laguna in 1990. In 1993, the steel plant was spun off from BCII as a separate business unit, and incorporated as Bacnotan Steel Corporation. It was later renamed UGC in 1997 and established a modern Continuous Galvanizing Line and Color Coating Line for the manufacture of pre-painted galvanized steel coils in Calamba, Laguna. On December 22, 2010, the SEC approved the merger of UGC and Atlas Holdings Corporation, a 90%-owned subsidiary of PHINMA with UGC as the surviving entity.

It is a leading manufacturer of pre-painted galvanized iron roofing products and other steel products such as steel decking, frames, pre-engineered building systems and insulated panels used for cold storage and other facilities. UGC's main manufacturing facilities are located in Calamba, Laguna. It also operates roll-forming plants in Poro, San Fernando, La Union; Ilang, Davao City; Cebu City; Cagayan de Oro City; Zamboanga City; Calasiao, Pangasinan; Bacolod City; Iloilo City; Pili, Camarines Sur; San Fernando, Pampanga; Batangas City; Tacloban City, Leyte; and Cainta, Rizal.

Today, UGC is a significant player in the manufacture and distribution of pre-painted and other galvanized roofing, and of galvanized steel building products such as building system components like steel deckings, c-purlins, door jambs, steel trusses, pre-engineered building structures and insulated panels for commercial, industrial and residential applications. UGC has the largest and most diversified distribution network in the industry, with rollforming plants, warehouses and sales offices in strategic locations throughout the country. UGC's production lines are located in:

- Continuous Color Coating Line in Calamba City, Laguna
- Insulated Panel Lines in Calamba City, Laguna and Davao City
- Discontinuous Rollforming Lines in various locations nationwide

On December 21, 2020, UGC purchased 100% of Phinma Corporation's shares in Phinma Solar Energy Corporation (PHINMA Solar), increasing its percentage of ownership in PHINMA Solar to 100%.

Philcement Corporation (Philcement)

Philcement was incorporated on September 22, 2017 to engage in the processing, manufacturing, distribution, marketing and sales of cement products. Philcement is PHINMA's re-entry into the cement industry, re-introducing PHINMA's legacy brand "Union Cement". Union Cement enjoyed market dominance and strong brand recognition for many years when PHINMA was in direct ownership or management of majority of the country's integrated cement plants, until the Company sold its ownership stake to Holder Bank (now Holcim) in 2003. Philcement is proud to re-introduce the legacy Union Cement brand after a 14-year hiatus. The re-branding of Union Cement aims to combine world class standards with Filipino expertise to make the lives of Filipinos better through quality, affordable, and readily available cement products. Philcement imports cement from its partner The Vissai Group, one of the biggest privately-owned cement companies in Vietnam. Philcement is owned 60.00% by PHINMA.

Philcement is a Freeport Area of Bataan ("FAB") - registered enterprise permitted to engage in the processing, manufacturing, marketing, importing, trading – wholesale and retail, selling, and distributing cement, cement products, and other by-products and establishing, operating and managing cement supply terminals at the FAB. As a FAB Registered enterprise, Philcement is entitled to the benefits and incentives under Republic Act No. 9728, also known as "The Freeport Area of Bataan Act of 2009". The Authority of the Freeport Area of Bataan is further discussed under "*Regulatory Framework"*.

Philcement's 7.8-hectare flagship cement processing complex is located in the Freeport Area of Bataan and is considered to be the first state-of-the-art cement facility in the Philippines and one of the largest independent cement terminals globally. The facility has an initial annual capacity of 2 million metric tons of cement or 400,000 bags a day. The cement processing complex serves as an importation, manufacturing, storage and bagging facility of Philcement in Mariveles, Bataan. The Mariveles Cement Facility is certified under ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018.

The cement processing complex is likewise strategically located and able to afford Philcement logistical advantage over competitors who transport cement mostly via land. Philcement is likewise able to leverage having its own port which allows it to distribute its produce via sea.

In September 2019, PHINMA signed an agreement to invest USD $50.00 million in Song Lam Cement Joint Stock Company, the flagship plant of The Vissai, the largest private cement manufacturing group in Vietnam. The investment will be used to expand the capacity of the flagship plant located in Nge Anh province in Vietnam, and will cement Philcement's relationship with Viet Cement Terminal JSC, who is a shareholder in Philcement. While these mutual partnerships assure Philcement a reliable supply of high-quality cement for its customers, out of the world-class facility in Mariveles Bataan, all transactions between the different companies under the PHINMA Group and the Vissai Group are kept at arm's length and driven by market conditions. The Company finalized this investment on May 12, 2021.

PHINMA Solar Energy Corporation (PHINMA Solar)

PHINMA Solar, formerly Trans-Asia Wind Power Corporation, was incorporated in the Philippines and registered with the SEC on July 26, 2013.

PHINMA Solar is the Group's venture into the solar rooftop market, providing solar rooftop generation solutions for industrial, commercial, and residential clients, capitalizing on the opportunity presented by the declining cost of solar energy panels, rising levels of environmental awareness, and government initiatives mandating the use of renewable energy sources. In 2019, it expanded its portfolio of clients and has evolved from a lease model to a sale on installment model to maximize cashflow and mitigate exposure on fluctuation in the energy generation and prices. PHINMA Solar also started selling PV systems to commercial and residential customers.

On December 21, 2020, PHINMA approved the sale of its 225,000,000 shares of PHINMA Solar to UGC. The sale rationalized PHINMA's ownership structure in its Construction Materials group by consolidating in UGC 100% ownership in PHINMA Solar. PHINMA Solar is 98.01% indirectly-owned by PHINMA and 100% owned by UGC.

PHINMA Solar's value proposition for its customers comes from the savings the customers are able to achieve on their annual electricity costs from using the solar rooftop equipment. The customers not only save on their electricity costs but also support the environment.

In collaboration with UGC, PHINMA Solar not only promotes its own brand but is also able to extend UGC sales through PHINMA Solar's network of customers and vice versa.

Educational Services

The education services of PHINMA are held through its majority-owned subsidiary, PHINMA Education Holdings, Inc. PHINMA Education's mission is to make lives better through accessible, quality education. By intent and design, the network caters to the underserved youth – high school graduates from low-income families who want to go to college and get better jobs.

PHINMA Education holds majority equity interests in nine tertiary institutions across the Philippines, with five branch campuses:

Institution		**Location (branches)**	**Year Acquired**
LUZON			
PHINMA University of Pangasinan	UPang	Dagupan City, Pangasinan (Urdaneta City)	2009

PHINMA Araullo University	AU	Cabanatuan City, Nueva Ecija (Cabanatuan City, San Jose City)	2004
NCR Network:			
- PHINMA Republican College	RC	Quezon City, NCR	2019
- PHINMA St. Jude College	SJC	Manila, NCR	2017
Laguna Network:			
- PHINMA Union College of Laguna	UCL	Sta. Cruz, Laguna	2021
- PHINMA Rizal College of Laguna	RCL	Calamba, Laguna	2020
VISAYAS			
PHINMA University of Iloilo	UI	Iloilo City, Iloilo	2009
Southwestern University PHINMA	SWU	Cebu City, Cebu	2015
MINDANAO			
PHINMA Cagayan de Oro College	COC	Cagayan de Oro City, Misamis Oriental (Cagayan de Oro City, Iligan City)	2005

* *Southwestern University owns a tertiary hospital, Southwestern University Medical Center, operated by Mount Grace Hospitals, Inc. of the United Laboratories Group.*

On 28 August 2015, PHINMA Education Holdings, Inc. was incorporated in the Philippines and registered with the SEC to invest in, purchase, acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, dispose of real and personal property of every kind and description, including shares of stock and other property of educational institutions. The company serves as the PHINMA Group's holding company for its investments in education.

As part of its growth strategy, PHINMA Education has also expanded to serve students outside the Philippines. From 2017 to 2020, it operated the PHINMA Training Center in Yangon, Myanmar through its subsidiary, PHINMA Education Myanmar, Ltd in a partnership with one of the country's leading private hospitals, Victoria Hospital. In Indonesia, PHINMA Education entered into a joint venture agreement with PT Tripersada Global Manajemen to form PT Ind-Phil Management (INDPHIL). Since its inception in 2019, INDPHIL has been managing tertiary institutions for Yayasan Triputra Persada Horizon Education, namely, STMIK and STIKES Kharisma in Karawang, West Java. The schools secured university status and officially became Horizon University Indonesia (Horizon University) in 2023.

Properties

PHINMA Property Holdings Corporation and subsidiaries

PHINMA Property Holdings Corporation (PPHC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 3, 2010. PPHC was originally incorporated on March 6, 1959 as Filoil Consolidated Industries, Inc, then changed to FCI Development Corporation (FCI) on June 16, 1975. FCI changed its name to PHINMA Property Holdings Corporation on July 23, 1987 after the merger with PHINMA Realty Corporation. On March 18, 1998, PPHC merged with Management Building Corporation with PPHC as the surviving company.

On November 25, 2010, the BOD and stockholders approved, among others, the reincorporation of the Corporation under the same name and business purpose to comply with the legal requirements for continuance of the Registrant's business when the original corporate life expired. The shareholders initially invested in PPHC a total of P125.0 million cash. The Registrant also recorded all the assets and liabilities of the old PPHC as of November 30, 2010 through a Deed of Assignment of Assets with Assumption of Liabilities, together with all the attendant rights and obligations, executed in December 2010 between the Company and the Trustee of the old PPHC. The shareholders of the old PPHC, through the Trustee, reinvested their shares in the net asset value of the old PPHC by subscribing to the shares of the Registrant.

PPHC, together with its subsidiaries (collectively referred to as the Group), develops affordable medium-rise condominium units and socialized housing units in Metro Manila and other areas in the country. The Parent Company is engaged in real estate development, principally in low-cost and middle-cost housing and vertical development. It has also engaged in construction, property management and co-working business through its subsidiaries and affiliate.

The registered office address of the Group is PHINMA Properties Center, No. 29 EDSA, Mandaluyong City. Between 1987 to 1990, PPHC was engaged in the development of upscale townhouse projects such as the Manila Polo Club Townhouses, Mariposa Villas and Mariposa Square Townhouses as well as the management and administration of the PHINMA and Kalayaan Buildings.

In 1991, in response to the government's appeal for more active private sector participation in addressing the country's housing needs, PPHC refocused its corporate mission with emphasis on providing quality and affordable housing to low and middle-income families in high growth centers and began to actively participate in low cost and socialized housing development. The initial project for this type of development was Villa Milagrosa, located in San Pedro, Laguna. In 1995, PPHC developed Villa Elisa, a 3.20 hectare project in Imus, Cavite with 3 house models to choose from – rowhouse, single-detached and single-attached designs.

In 1996, PPHC, recognizing the need for urban housing at affordable prices, shifted its focus to in-city development. In order to reduce the cost of land and maximize the land area, PPHC shifted to vertical development. The pilot project of this type was Smile Citihomes I, located at Barangay Kaligayahan, Novaliches, Quezon City. Completed by the first quarter of 1998, the project boasts of 5-storey condominium buildings with a total of 1,595 residential units, each with a 30-sq.m. floor area. The success generated by Smile Citihomes I encouraged PPHC to concentrate its land banking within Metro Manila and other urban centers to duplicate this type of development. By residing within the vicinity of Metro Manila, the prospective buyers are able to stay near or are able to limit travel time from their homes to their respective work places. Reduced travel time to and from the workplace increases the quality of life of the prospective buyers.

On February 5, 2016, Community Developers and Construction Corporation (CDCC) was established to cater to construction projects outside the Group. In 2017, it started its first construction project with P.A. Alvarez Property Development Corporation (P.A. Alvarez) with the latter's Nuvista project. In 2018, CDCC entered again a new construction project with P.A. Alvarez for the latter's St. Joseph Homes Calamba and Windfield Briza projects. CDCC also entered into a construction agreement with the Quezon City government for its Bistekville 15 and 16 housing projects.

On September 13, 2017, Community Property Managers Group Inc. (CPMGI) was established to broaden the reach of its property management business. CPMGI initially started its operations handling the administration and management of PPHC's completed projects. In 2019, CPMGI started expanding its services to third parties, through a management contract with various Urban Deca condominium corporations.

In 2019, the Group ventured in coworking business, entering into a joint venture arrangement with UnionSPACE, Inc. and Acceler8 Now, Inc. On June 11, 2019, InPHIN8 Space, Inc. (InPHIN8) was incorporated as the co-working arm of the Group. On the same year, InPHIN8 launched and started the operations of its co-working space in the fifth floor of PHINMA Plaza.

Asian Plaza, Inc. (API)

API was incorporated on January 26, 2005 and started commercial operations on the same date. The Company's primary purpose is investment in real properties.

On March 24, 2022, API signed a Contract to Sell for the sale of API's condominium unit in Rufino Pacific Tower for ₱35.8 million.

Hospitality

PHINMA Hospitality Inc., the hospitality arm of PHINMA Group, operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines. It is also a joint venture partner in majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia. PHINMA Corporation, has a 63.77% equity interest in PHINMA Hospitality as well as 23.75% equity interest in Coral Way City Hotel Corporation (Coral Way), owner of Microtel by Wyndham Mall of Asia. Coral Way's wholly owned subsidiary, Krypton Esplanade Hotel Corporation owns the 191-room TRYP by Wyndham Mall of Asia.

PHINMA Hospitality Inc. was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 23, 1999. The Company is primarily engaged in the business of developing, owning, operating and managing economy lodging facilities.

Investment Holdings

P & S Holdings Corporation, a 60% owned subsidiary of Phinma Corporation was incorporated on September 11, 1998. The company's primary purpose is to invest in real and personal properties. The company currently owns and leases land located in Bulacan.

Product Lines

Construction Materials

Construction Materials Group' major product lines are:

Business Unit	Product	Type
Steel	Colored or Prepainted Sheets	In coil or in sheets roll formed
	Heavy Gauges	In sheets, coils and roll formed
	Long Span GI Sheets	Roll formed – in sheets
	Claddings and Sidings	Roll formed – in sheets
	Decking's / C. Purlins	Roll formed – in sheets
	Metal frames / Studs	Roll formed – in sheets
	Spandrel	Roll formed – in sheets
	Polyurethane Panels	Roll formed – in sheets
	Roofing Accessories	Bended or Roll formed
	Pre-engineered Building Systems	Roll formed
Cement	Cement (in 40-kg, jumbo bags, bulk)	High-strength cement, general-purpose cement
Solar	Rooftop System	Solar photovoltaic rooftop system
	Power / electricity	Generation and distribution of solar power

The Construction Materials Group namely UGC, Philcement and Phinma Solar generated combined revenues of PHP 13.27 billion, accounting for 62.37% of PHN's revenues in 2023.

CMG Consolidated Revenues (in thousands)

(in Thousand pesos)	**Calendar Year Ended December 31, 2022**	**Calendar Year Ended December 31, 2022**	**Calendar Year Ended December 31, 2021**
	₱13,268,172	₱13,245,555	₱12,144,100

Educational Services

PHINMA Education offers diversified tertiary programs mainly focused on employability. Its leading programs in terms of enrolment are in the areas of Criminology, Management & Accountancy, Allied Health Science, Engineering & Architecture, and Education. While PHINMA Education focuses on delivering tertiary education, some of its institutions also provide basic education, senior high school, graduate, and technical and vocational education and training (TVET) programs.

Properties

Listed herein below is a tabular presentation of the Group's completed and on-going projects:

PROJECT	LOCATION	YEAR COMPLETED	AREA (HECTARES)	NO. OF UNITS COMPLETED
Mariposa Square	C. Benitez, Quezon City	1987	0.20	10
Mariposa Villas	Mariposa St., Quezon City	1988	2.06	40
Manila Polo Club Townhouses	Forbes Park, Makati City	1989	2.40	43
Villa Milagrosa	San Pedro, Laguna	1994	1.00	155
Villa Elisa	Imus, Cavite	1996	3.40	334
Smile Citihomes I	Novaliches, Quezon City	1998	2.40	1,595
Smile Citihomes Annex	Camarin Rd., Caloocan City	2003	1.00	638
Sunny Villas	Pearl Drive, Commonwealth Ave., East Fairview, Quezon City	2005	1.44	812
Spazio Bernardo	Brgy. Sauyo, Bagbag, Quezon City	2006	1.66	957
Spazio Bernardo West Villas	Brgy. Sauyo, Quezon City	2007	0.66	319
San Benissa Garden Villas	Quirino Highway, Novaliches, Quezon City	2008	1.56	928
Fountain Breeze	Lombos Avenue, Sucat, Parañaque City	2011	3.12	1,640
Sofia Bellevue	Capitol Hills Drive, Quezon City	2011	1.70	840
Flora Vista	Peacock St., Brgy. Commonwealth, Quezon City	2010	1.88	870
ASiA Enclaves	Alabang, Muntinlupa City	2016	10.67	588
Solano Hills	Villongco St., Muntinlupa City	2016	2.90	1,260
Arezzo Place Pasig	Sandoval Avenue, Pasig City	2021	4.30	1,980
Bistekville –Townhouse	Novaliches, Quezon City	2015	0.17	40
Hacienda Balai	Novaliches, Quezon City	2021	2.90	1,220
Bistekville RH	Novaliches, Quezon City	2015	0.07	23
Arezzo Place Davao	Davao City	2023	27	1080
Grand Strikeville 4	Bacoor City, Cavite	2018		RH – 756 TH – 115

L'Oasis	Malabon City	2019	10.80	626
Aspire Homes	Cebu City	2019	1.80	238
Uniplace	Cebu City	1 building complete; 1 building ongoing	0.4	220
Metrotowne	Las Pinas City	1 building complete; 1 building ongoing; 3 buildings for future construction	2.1	330
PHINMA Maayo San Jose	San Jose, Batangas	1 Phase On-Going Construction; 2 Phases for Future Construction	9.5	93
PHINMA Maayo Tugbok	Tugbok, Davao	1 Phase On-Going Construction; 2 Phases for Future Construction	9.6	-

Ongoing Construction Projects

8-storey Mt. Mayon Medical Center

Completed Construction Projects

Nuvista – San Jose Del Monte, Bulacan
St. Joseph Homes – Calamba, Laguna
St. Joseph Homes – Cabuyao, Laguna

Hospitality

PHINMA Hospitality focuses on developing and managing hotels primarily in the mid-market segment. It currently operates 14 hotels under the Microtel by Wyndham brand and one hotel under the TRYP by Wyndham brand in key business and leisure locations in the country.

Contribution of Export Sales

UGC, Philcement and PHINMA Solar have no export sales.

Supply

Construction Materials

a. UGC

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils. The sources of galvanized and zinc aluminum coated materials are China and other Asian countries. As of today, there are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

UGCs sources steel coils from a minimum of five different suppliers and as such believes its supplier base is diverse enough so as not to pose a concentration risk to the company from the loss of any single supplier.

b. Philcement

Philcement currently sources substantially majority of its imported cement from one of the biggest privately-owned cement joint-stock companies in Vietnam. The Vissai Group, through Viet Cement Terminal JSC, and PHINMA, are shareholders of Philcement and it is in the mutual interest of both companies that the Vissai Group continues to supply Philcement with cement. However, the cement supply agreements between Philcement and The Vissai Group are non-exclusive, done at arm's length, and are at market prices, and as such, Philcement is free to source cement from other parties for supply reliability and risk mitigation.

To this end, Philcement has negotiated and developed cement supply arrangements with other suppliers in Asia and continues to develop other sources of cement.

c. PHINMA Solar

PHINMA Solar's major inputs are provided by solar panel suppliers and Engineering, Procurement and Construction ("EPC") contractors for turnkey solar projects. Supply contracts are done on a per project basis. Prior to finalizing contracts, PHINMA Solar evaluates offers from a minimum of 3 different suppliers. The company purchases from several competing suppliers and believes there is no concentration risk from any one particular supplier.

Educational Services

PHINMA Education schools have common suppliers only for requirements such as computers and tech systems, construction, uniforms, and learning materials. For all others, supply sources of its schools vary due to their geographic dispersion. PHINMA Education believes there is no concentration risk because no single supplier exerts any monopoly and there are several competing suppliers. The company benchmarks its supply costs against other schools in order to negotiate fair prices.

Properties

PPHC has adopted a state of the art (formwork) technology from abroad. The formwork system employs the use of tunnel form in building repetitive structural units. Concrete is then poured continuously resulting in highly durable housing shells compared with other existing housing units of its kind. Architectural flexibility is attained through the technology's versatile design that can be broken down into minor structural components during the planning stages of the project.

The Company has developed back up/alternative sources of materials to ensure availability and continuity of supply. The Company also arranged supply contracts for the total requirement of the project, and is not dependent on few selected suppliers.

Hospitality

Hotel supplies of PHINMA Hospitality-managed hotels are mainly sourced from different local suppliers. The group has several available suppliers and believes that there is no concentration risk from any one particular provider.

Customers

The Company believes its customer base across its major business segments are diverse enough and no single customer make up more than 20% or more of PHINMA or the business segments group revenue.

Nonetheless, below is a breakdown of some of the Group's major customers.

Construction Materials

The Construction Materials Group is not dependent on a single or few customers but, rather, has a well-balanced customer portfolio.

UGC
UGC serves the steel roofing requirements of end-users, developers, contractors, and dealers for residential, and commercial building applications and government projects including school buildings and military housing units. UGC also caters to the agribusiness sector such as the cold storage and poultry industries.

Philcement
Philcement's customers are grouped into the following segments: Contractor, Dealers, Developers, End-User, Hardware stores and Retailer, and Ready-Mix Players. Notably, despite the short time since the start of its operations, Philcement has supplied a number of big commercial and infrastructure projects across the country.

PHINMA Solar
PHINMA Solar's customers are mainly in industries including mall operations, manufacturing, schools, agri-businesses, hospitals, and hotel operation.

Educational Services

PHINMA Education primarily serves post-secondary Filipino students that belong to the low-income market segment. Other categories of customers include students from middle-income families, foreign students, adults and working professionals in its graduate and TVET programs, high school students, and the Indonesian students in Horizon University.

Average tuition and other school fees across PHINMA Education's schools range from ₱15,000 to ₱42,000 per semester.

Properties

The majority of PHINMA Properties' buyers are first-time homeowners, typically with a monthly household income ranging from Php50,000 to Php150,000. Across all projects, the average total selling price stands at Php3.6M, effectively catering to the middle-income segment.

Construction Services

For construction projects, its ongoing engagement is for the construction of Mount Mayon Medical Center. This client is established to maintain, operate, own and manage hospitals which are fully departmentalized and equipped with the service capabilities needed to support certified/licensed medical specialists and other licensed physicians rendering service in the Department of Medicine, Pediatrics, Obstetrics, and Gynecology and Surgery as well as their specialties and subspecialists, medical and related healthcare facilities and businesses such as, but without restriction to, clinical laboratories, diagnostic centers, ambulatory clinics, scientific research and other allied undertakings and services which shall provide medical, surgical, nursing therapeutic, paramedic or similar care, provided that purely professional, medical or surgical services shall be performed only by duly qualified and licensed physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by patients.

Property Management

8990 Holdings

After disposing of its information technology and telecommunications business in 2012 and following its corporate reorganization a year after, 8990 began to focus, through its subsidiaries, on providing affordable and quality housing to hardworking Filipinos.

Through construction innovation and continuous improvement in quality, price, and service, 8990 is able to uphold its vision of providing decent shelter to Filipino families.

It is committed to its mission to help Filipinos own a home that they can be proud of and cherish for always.

The country's leading mass housing developer plans to expand to other cities and provinces to help more people realize their dream of home ownership.

Hospitality

For hotel management, PHINMA Hospitality operates hotels owned by various corporate entities and ownership groups. In terms of hotel customers, these consist of a combination of both individual and corporate accounts.

Transactions with and/or dependence on related parties

Other than transaction disclosed in "*Certain Relationships and Related Party Transactions",* PHINMA has no dependence on any related parties.

Marketing and Distribution

Construction Materials

UGC

UGC serves the steel roofing requirements of end-users, developers, contractors and dealers for residential, commercial building applications and government projects such as school buildings and reconstruction efforts. Its secondary markets are facilities for the agribusiness sector such as cold storage, poultry structures and government projects for school buildings and public markets.

UGC's main manufacturing facilities are located in Calamba City, Laguna and it maintains a nationwide distribution network consisting of roll-forming plants, warehouses and sales offices located in strategic regions around the Philippines.

Philcement

Backed by decades of experience in the cement industry and armed with technical and management expertise, Philcement aims to be a partner of choice for its reliability of supply and high-quality products and services. Philcement distributes its products in 40-kg bags, jumbo bags, and bulk trucks.

To serve key markets, Philcement has built a cement facility in the Freeport Area of Bataan which started operations in February 2020. It is the first in the industry to use ship unloader for bulk cement. Further, in September 2019, Philcement entered into an agreement with Seasia Nectar Port Services, Inc. to purchase the port and port assets where its terminal is constructed on, thereby affording the company cost-efficiencies. The cement processing complex is likewise strategically located and able to afford Philcement logistical advantage over competitors who transport cement mostly via land.

Philcement's main Office and Facility are located in the Freeport Area of Bataan, Mariveles, Bataan. Along with UGC, it continues to grow its distribution network nationwide.

Educational Services

PHINMA Education provides opportunities to students from low-income families by offering financial assistance and academic scholarships on top of already accessible fees. Partnerships with nearby high schools and communities are supplemented by digital marketing campaigns across each institution's catchment areas.

PHINMA Education is present in areas with a strong demand for tertiary education, with its footprint growing to 15 branches across 12 cities in the Philippines, and one school in Indonesia:

Institution/ Network	Campus	Location	Key Market/s
PHILIPPINES			
AU	Main	Bitas, Cabanatuan City	Nueva Ecija
	South	H. Concepcion, Cabanatuan City	
	San Jose	Canuto Ramos, San Jose City	
COC	Main/Carmen	Carmen, Cagayan de Oro City	Misamis Oriental
	Puerto	Puerto, Cagayan de Oro City	
	Iligan	Pala-o, Iligan City	
UI	Main	Iloilo City	Iloilo Province and Guimaras
UPang	Main/Dagupan	Dagupan City	Pangasinan
	Urdaneta	Urdaneta City	
SWU	Main	Cebu City	Visayas, and Northern and Western Mindanao
NCR Network	SJC Manila	Sampaloc, Manila City	National Capital Region
	SJC QC	Cubao, Quezon City	
Laguna Network	RCL	Calamba City	Laguna
	UCL	Sta. Cruz City	
INDONESIA			
Horizon University	Karawang	Karawang City	Karawang

Properties

PPHC has one of the most professional, highly motivated, and best-trained sales force composed of local brokers and in-house agents. They are provided with high-impact promotional tools and excellent working knowledge on the housing package including documentation and financing aspects of realty selling.

The Corporation has clear and well-studied set of sales policies and guidelines which ensures harmonious working relationship among brokers and agents belonging to different marketing agencies. Brokers and agents are given incentives for sales and documentation performance. All brokers and agents are given regular project and competitor updates. The marketing and documentation teams of the Corporation ensure that all brokers/agents and buyers get only the best service they so rightfully deserve.

Hospitality

PHINMA Hospitality main office is located in PHINMA Plaza, Rockwell Makati, which gives it an optimal location in terms of overseeing operations of hotels in Metro Manila, Southern Luzon, Central and Northern Luzon. Company officers also conduct regular visits to hotels in Visayas and Mindanao.

Hotels managed by PHINMA Hospitality located in various parts of the country utilize both online and traditional channels for hotel reservations.

Competition

Construction Materials

UGC

For steel roofing, UGC's main competitors are Puyat Steel, DN Steel, and Sonic Steel/United Steeltech Group. In terms of relative nationwide market share size in this category, it is estimated that UGC is roughly the same size as Puyat Steel and DN Steel, and a little over half the size of Sonic Steel/United Steeltech Group.

UGC's range of products in this category include: pre-painted galvanized sheets, galvanized sheets, light steel frames, purlins, and metal decking. In comparison, UGCs major competitors have a similar product range. UGC has a nationwide distribution network. In comparison, UGCs major competitors are also present nationwide. UGC effectively competes in the area of customer service, where its wide distribution network and speed of order fulfilment ensure its products are readily available in the market at the location and within the timeframe required by its customers.

For PU products, UGCs main competitors are DYD/Ultra, and iSteel. UGCs range of products in this category includes Insulated Roofing, Insulated Sandwich Panels and Doors.

Philcement

Philcement's main competitors are Holcim, Republic Cement, Eagle Cement, Northern Cement, and Cemex. It is estimated that in terms of relative nationwide market share size, Holcim has the largest share, while Philcement has the smallest share among the aforementioned market players. Holcim, with cement plants in La Union, Bulacan, Misamis Oriental, and Davao and terminals in Visayas and South Luzon, has nationwide market presence. Eagle Cement and Northern Cement's integrated cement plants are primarily focused on Luzon, with Northern Cement covering the areas of Northern Luzon while Eagle Cement Bulacan operations concentrate on Central Luzon, NCR, and South Luzon. In early 2022, Southern Concrete (Oro Cement), which is part of the San Miguel Group along with Northern and Eagle, started operations in Davao del Sur. Republic Cement, similar to Holcim, maintains a nationwide market presence with several plants located mostly in Luzon, a grinding plant in Cebu, and its Iligan Cement plant in Lanao Del Norte. Cemex Philippines, with the Solid/Rizal cement plants in Antipolo City, Rizal and Apo cement plants in Naga, Cebu, has market presence in NCR and South Luzon and Visayas, respectively. Apart from Eagle Cement, many of these plants have been and continue to import clinker and, at many times, cement, to augment their supply. Aside from these large industry players with integrated capacities, Philcement also competes with cement importers in some areas. These cement importers source their cement mostly from Vietnam but also has supply from other parts of Asia.

Although Philcement's main facility is in Mariveles Bulacan, its port facilities provide transport flexibility to its customers. The facility can easily load cement to vessels and transport them out to different ports nationwide, while it can also dispatch cement products for land transport. This provides a significant competitive advantage compared to landlocked cement plants which have no choice but to traverse congested road networks. Philcement has been able to competitively serve areas such as Ilocos in North Luzon, Metro Manila, and islands in the MIMAROPA and the Visayas regions through vessels - markets which are very hard and costly to reach unless a cement plant is nearby.

In terms of pricing, Philcement recognizes the importance of quality of cement for its customers, while understanding the competitiveness of the market. Philcement's pricing strategy is market-driven and is competitive against local cement brands. For the bulk market segment where quality is of paramount significance, Philcement is also able to price competitively, while ensuring that it maintains consistent quality and reliability of supply for its customers.

Educational Services

Philippines

The competitors of each PHINMA Education school are concentrated within their geographic scope, and may either be private or state-owned schools that cater to the same market segment. PHINMA Education schools are generally among the top 5 private schools operating in their respective localities in terms of enrolment, with the exception of more recent acquisitions that are still in their turnaround and growth phases.

In SY 2023-2024, the group logged its highest enrolment yet by welcoming 146,474 students in the Philippines and Indonesia, with 49,407 college freshmen. This marks an 18% overall increase versus the previous school year's enrolment of 124,501 students.

Total tertiary enrolment in the Philippines is currently estimated at around 3.4 million, resulting in an estimated nationwide market share of around 2.2% for the PHINMA Education Schools in aggregate. The following table presents the top private higher educational institutions nationwide by enrolment:

Top 5 Private Higher Educational Institutions in the Philippines by Enrolment, SY 2015/2016[11]

1.	University of Sto. Tomas	44,769
2.	Saint Louis University	32,725
3.	South UPI College	29,052
4.	ICCT Colleges	26,833
5.	University of Cebu	26,593

The table below presents the top 5 state universities and colleges (SUCs) in the Philippines in terms of enrolment. While the passage of the Universal Access to Tertiary Education Act removed tuition as an admission requirement, the SUCs' capacity to accept enrolees is still limited by their capacity constraints and academic admission requirements. Hence, even with the passage of this law, PHINMA Education's enrolment continues to grow.

Top 5 SUCs in the Philippines by Enrolment, SY 2019/2020[12]

1.	University of the Philippines	57,387
2.	Polytechnic University of the Philippines	56,928
3.	Cavite State University	43,634
4.	Cebu Technological University	41,395
5.	Batangas State University	39,955

In terms of program offerings, the PHINMA Education Schools carry course offerings designed toward employability of graduates, including programs such as BS Business Administration, Education, Nursing, IT, and Civil Engineering. These same programs have the highest enrolment in the country and are likewise offered by competitors.

PHINMA Education Schools have an established track record in producing national licensure exam topnotchers in programs such as Nursing, Medical Technology, Medicine, Engineering, and Criminology. COC is recognized by the CHED as a Center of Excellence in Criminology.

Indonesia

Horizon University's total enrolment in SY 2023-2024 was 1,773 students. The school offers Health Sciences, Information & Computer Technology, and Business Management programs, and it is currently the only nursing school in Karawang. Similar to the schools in the Philippines, Horizon University's competitors comprise private and state-owned tertiary institutions in its vicinity.

[11] *CHED website, latest available data*
[12] *CHED website, latest available data*

Horizon University has a tuition fee range at par with fees charged by its competitor schools. PHINMA Education identifies Universitas Medika Suherman, Bani Saleh, and STMIK Rosma as closest competitors in terms of enrolment size and programs.

Properties

There are other developers in each of PPHC's project sites offering affordable condominium units to middle-income population that practically have the same area in square meters as follows:

Quezon City	AMAIA Steps, Novaliches (Ayala Land), Neopolitan Condominiums (Sta. Lucia Land Inc.) and Trees Residences (SMDC)
Pasig City	AMAIA Steps (Ayala Land), Urban Deca Homes Pasig (8990 Holdings Inc.) and Kasara Urban Resort Residences (Empire East)
Muntinlupa City	Eastbay Residences (Rockwell Primaries), South Escalades (Robinsons), Rhapsody Residences (DMCI), Anuva Residences (SOC Land), Cerca Alabang (Alveo Land), Studio City (Filinvest)
Paranaque City	SM Bloom (SMDC), Calathea Place (DMCI), Asteria Residences (DMCI), The Atherton (DMCI), Amaia Steps Sucat (Amaia by Ayaland)
Davao City	Amani Grand Resort Residences (Grand Land Call Patrimonio Realty Corp.), The Acropolis (COHO by Vista Land) and The Frontera (COHO by Vista Land)
Malabon City	West Residences (Major Homes) and Buildersville (Finbar Realty Development Corporation)
Tugbok, Davao	Camella Toril (Vista Land), Casa Mira Townhouse (Cebu Landmasters), Ciudad Sor Serafina (Villocino Realty), The Garden at South Ridge (Urban East).

A subsidiary of PPHC, Community Developers and Construction Corporation (CDCC), operates within a diverse and competitive landscape in the construction industry, engaging in a wide array of projects across institutional, residential, and other categories. CDCC's reach extends from the National Capital Region (NCR) to various provinces, showcasing its expansive operational capabilities.

In the Institutional Sector, CDCC competes with firms such as Bluefort Construction, ITC, DM Casteel, Karkonz, Jaios, Jomatech, JLT Construction, and RD Talens. Additionally, other competitors include CCT, Cross-Link, Jethrock, Metriccon, and PrimeBuilt.

In the Residential Sector, competitors include Carwill Construction Incorporated, Lopzom Builders Corp, Chrey Builders Corp., JQ International Construction Inc, Kenjohn, Vision Properties, RAX Construction, Emsen, FTO, and FGU.

For External Projects, competitors include Isofirm, Domici Construction, and Nicandro Construction.

CDCC's distinction in the market is further solidified by its commitment to leveraging cutting-edge project management techniques, developing innovative construction solutions that incorporate green technologies, and establishing strategic partnerships that enhance project efficiency and effectiveness. These practices not only highlight CDCC's dedication to quality and excellence but also underscore its role as a forward-thinking leader, poised for continued growth and success in addressing the future demands of the Philippine construction industry.

The property management subsidiary of PPHC, CPMGI, has as its rivals, the following companies: JB Sosa Property Management Corporation, GD Prime Property Management Corporation, Century Property Management, Inc., Jones Lang Lasalle Philippines Inc., Colliers Philippines and Santos Knight Frank.

Out of all the market companies mentioned above, JLL is predicted to have the biggest share in terms of relative nationwide market share size 4.6B square feet., while CPMGI has the smallest share, behind only GPPMC. With the largest network, JLL is present both internationally and domestically in the Philippine market. North and South Luzon, as well as Central Luzon and the NCR, are the main areas of activity for Century

Property Management Inc., whereas JB Sosa & GDPPC are mostly focused on Luzon and the NCR.

In Southeast Asia and other parts of the world, rival companies including Jones Lang Lasalle Philippines Inc., Colliers Philippines, and Santos Knight Frank have their market presence.

Hospitality

PHINMA Hospitality as a hotel group operating the Microtel by Wyndham and TRYP by Wyndham brands in the Philippines indirectly compete with other chains such as Seda Hotels of the Ayala Group, Park Inn by Radisson of the SM Group, Hotel 101 of the Double Dragon group, as well as the Citadines properties of the Ascott Group. Each individual hotel being managed also competes directly with other mid-market hotels in the locations in which they operate.

Intellectual Property

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the consent of the owner from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the ownership of the mark of the registrant. A certificate of registration shall remain in force for an initial period of ten (10) years, and may be renewed for periods of ten (10) years at its expiration.

As of December 31, 2023, PHINMA and its subsidiaries have the following registered trademarks:

PHINMA

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Making Lives Better	2 October 2015	4/2015/00001382	2 October 2025

Construction Materials

The Construction Materials Group holds several trademarks for the Union brand. UGC's logos and product names are registered while Philcement's Union Cement products are all registered. In 2022, PHINMA Solar secured the registration of its brand, Union Solar.

The Group is actively monitoring and registering its trademarks with the Intellectual Property Office.

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
UGC Logo 1 UNIONGALVASTEEL A PHINMA COMPANY	30 November 2017	4/2016/00014189	30 November 2027
UGC Logo 2 UNIONGALVASTEEL A PHINMA COMPANY	30 November 2017	4/2016/00014190	30 November 2027
UGC Logo 3 UNION GALVASTEEL	2 March 2017	4/2016/00014188	2 March 2027

UGC Logo 4	8 June 2016	4/2001/00007745	8 June 2026
Duratile	4 September 2014	4/2014/00000624	4 September 2024
Duraseam	18 October 2018	4/2018/00000734	18 October 2028
Ecolume (Inactive)	7 April 2019	4/2018/00015871	7 April 2029
Union Cement	19 February 2021	4/2020/505431	19 February 2031
Union V Super	11 May 2018	4/2017/16641	11 May 2028
Union V Ultra	11 May 2018	4/2017/16644	11 May 2028
Union Astig	28 September 2018	4/2018/6692	28 September 2028
Sementong Astig	3 February 2019	4/2018/6691	3 February 2029

Educational Services

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Araullo University	28 November 2005	4-004-005672	28 November 2025
Araullo University Seal	30 August 2004	4-2004-007972	14 December 2033
Cagayan de Oro College	3 October 2012	4-2012-00012185	20 June 2033
Cagayan de Oro College Logo	3 October 2012	4-2012-00012187	15 August 2033
Cagayan de Oro College Seal	3 October 2012	4-2012-00012188	15 August 2033
Making Lives Better Through Education	5 November 2013	4-2013-00013276	3 July 2024
PHINMA Education Network	29 June 2006	4-2006-007016	22 May 2027
PHINMA Education Network Device (Logo)	21 May 2007	4-2006-007017	21 May 2027
PHINMA Education Network Logo (Pie Like Device)	29 June 2006	4-2006-007019	21 May 2027
RAD Learning	16 December 2020	4-2020-00520345	8 August 2031
RAD Learning Device (Logo)	16 December 2020	4-2020-00520344	8 August 2031
PHINMA Education Network	29 June 2006	4-2006-007016	22 May 2027

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Southwestern University	14 January 2016	4/2015/00011472	14 January 2026
University of Iloilo Seal	13 January 2011	4-2010-005386	13 January 2031
University of Iloilo	13 January 2011	4-2010-005385	12 January 2031
University of Iloilo Logo	14 December 2020	4-2020-0003018	14 December 2030
University of Iloilo Rising Sun Design	7 June 2018	4-2018-0000163	7 June 2028
University of Pangasinan Seal	21 August 2014	4-2012-00012182	21 August 2024
University of Pangasinan Flame and Book Design	7 March 2013	4-2012-00012183	7 March 2033
University of Pangasinan Logo	21 August 2014	4-2012-00012181	21 August 2024
University of Pangasinan	14 June 2013	4-2012-00012180	14 June 2023*

**Pending request for renewal*

Properties

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
PPHC			
GRAND STRIKEVILLE 4	14 November 2019	4/2019/00011509	14 November 2029
Hacienda Balai NORTH QUEZON CITY	05 January 2020	4/2019/00011511	05 January 2030

Hacienda Balai NORTH QUEZON CITY A Safe Community for New Beginnings	05 January 2020	4/2019/00011512	05 January 2030
METROTOWNE	07 March 2019	4/2018/00005446	07 March 7 2029
PHINMA PROPERTIES MAKING ROOM TO BUILD YOUR FUTURE	22 February 2020	4/2019/00011501	22 February 2030
AREZZO PLACE DAVAO	04 March 2020	4/2019/00011513	04 March 2030
ASIA ENCLAVES ALABANG	17 July 2020	4/2019/00011506	17 July 2030
CDCC Community Developers and Construction Corporation	04 April 4 2020	4/2019/00011499	04 April 2030
UNIPLACE at SWU VILLAGE	11 September 2020	4/2019/00011503	11 September 2030
AREZZO PLACE PASIG	05 March 2020	4/2019/11516	05 March 2030
PHINMA PROPERTIES	19 February 2021	4/2020/00000784	19 February 2031 (10 years)
PHINMA PROPERTIES	19 February 2021	4/2020/00000783	19 February 2031 (10 years)

AREZZO PLACE PASIG Live fulfilled AREZZO PLACE PASIG LIVE FULFILLED	11 December 2020	4/2019/00011517	11 December 2030 (10 years)
ASYA ENCLAVES	26 February 2021	4/2019/00011504	26 February 2031 (10 years)
PHINMA MAAYO TUGBOK It Begins Here	04 April 2022	4/2021/00518706	04 April 2032 10 years
PHINMA MAAYO - UNRAVEL THE COMFORT IN NEW BEGINNINGS	16 June 2022	4/2022/00507097	16 June 2032 10 years
PHINMA LIKHA - A FILIPINO MASTERPIECE INSPIRED BY TRADITION	16 June 2022	4/2022/00507098	16 June 2032 10 years
PHINMA MAHARLIKA - A WARM WELCOME TO LUXE LIVING.	16 June 2022	4/2022/00507099	16 June 2032 10 years
PHINMA PROPERTIES - WEAVING FILIPINO TRADITION INTO HOMES	16 June 2022	4/2022/00507107	16 June 2032 10 years
UNIPLACE INVEST WELL. EARN WELL. LIVE WELL.	24 November 2022	4/2021/00518708	24 November 2032
PHINMA MAAYO SAN JOSE You Belong Here	24 November 2022	4/2021/00518707	24 November 2032

Hospitality

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Microtel by Wyndham Logo MICROTEL BY WYNDHAM	May 14, 2022	529627	14 May, 2032
TRYP by Wyndham Logo TRYP HOTELES	August 30, 2012	501553	30 August, 2032

Effect of Existing or Probable Government Regulations on the Business.

Construction Materials

The Construction Materials Group relies heavily on the importation of inputs including cement, steel roofing raw materials, and solar panels. Any new taxes on these inputs or other new forms of non-tariff import restrictions may increase prices, reduce market demand, and adversely affect the business and financial performance of the Construction Materials Group.

In 2019, the Department of Trade and Industry ("DTI") imposed a definitive safeguard duty on imported cement for three years to redress alleged serious injury in the domestic industry. Philcement has filed a case with the Court of Tax Appeals ("CTA") opposing the safeguard taxes, maintaining that local cement manufacturers were not unduly harmed by cement imports. As of writing, the case is still pending with the CTA. Moreover, the domestic industry applied for an extension of the safeguard duty, which expired in October 2022. The Tariff Commission did not recommend the extension of the safeguard duty citing no significant impairment in the overall position of the domestic industry and no existence of an imminent threat of serious injury in the near future. DTI concurred with the recommendation of the Tariff Commission and in October 2022, dismissed the petition filed by local cement manufacturers to extend the tariff protection.

On top of safeguard measures, the domestic cement industry also applied for the imposition of anti-dumping duties on cement from Vietnam. In October 2022, the Tariff Commission has determined that an anti-dumping duty should be imposed on Philcement's exporter of Ordinary Portland Cement ("OPC" or "Type I"). DTI issued the final order imposing the aforementioned duty in February 2023.

To mitigate this risk, Philcement has started to manufacture its own blended cement in 2021, sold in the market as Union Extra Strength. Philcement has also established supply from other cement manufacturers in Asia. Moreover, Philcement has initiated several projects over a medium-term horizon which will allow the company to expand its product offerings and its domestic production of blended cement.

For the steel industry, DTI has received an application for safeguard tax protection from two local manufacturers claiming import protection in the galvanized roofing category, where UGC is also present. To mitigate this risk, UGC has the flexibility of activating its existing galvanized line to locally produce its own galvanized roofing. UGC, together with other steel roofing importers, continues to lobby against safeguard duties and has also submitted a position paper to the DTI against the proposed safeguard taxes to protect consumer interests.

Educational Services

Rules and regulations issued by the Commission on Higher Education (CHED), the Department of Education (DepEd), and the Technical Skills Development Authority (TESDA) affect the operations of the universities and colleges under PHINMA Education in the Philippines. Some of the more salient effects include curricular requirements, faculty qualifications, and specifications of facilities. The universities and colleges are also governed by the rules and regulations prescribed by R.A. 9337, "An Act Amending Certain Sections of the National Internal Revenue Code (NIRC), as amended, and for other purposes. Under R.A. 9337, the universities and colleges are subject to a tax of 10% on their taxable income. However, if the gross income from unrelated trade, business or other activity exceeds 50% of the total gross income derived by such educational institutions from all sources, the regular corporate income tax under the NIRC shall be imposed on the entire taxable income.

Under the CREATE Law, the tax rate for "proprietary educational institutions and hospitals which are non-profit" was reduced from ten percent (10%) of taxable income to one percent (1%) for the period July 1, 2020 to June 30, 2023. The educational institutions which are subsidiaries of PHINMA Education should and will thus benefit from the said reduced rate as they are all proprietary (or privately-owned) educational institutions. However, on April 8, 2021, the BIR issued the Implementing Regulations of the CREATE Law (BIR Revenue Regulation No. 05-2021) where "Proprietary Educational Institutions" is defined as being non-profit, contrary to the CREATE Law itself.

The Revenue Regulations will in effect increase the tax rate of private educational institutions from the current ten percent (10%) to twenty-five percent (25%) which is not consistent with the CREATE Law. The subsidiary schools of PHINMA Education have joined other educational institutions in challenging the said Revenue Regulations.

On July 26, 2021, the BIR issued Revenue Regulation No. 14-2021 which suspended the implementation of BIR Revenue Regulation No. 05-2021, pending the passage of appropriate legislation on the matter.

The establishment, operation, administration and management of the Universities and Colleges under PEHI are subject to the existing laws, rules and regulations, policies and standards of the Technical Skills Development Authority (TESDA), Commission on Higher Education (CHED) and Department of Education (DepEd). Regulations from these governing bodies affect the operations of PEHI.
On January 24, 2022, the BIR issued Revenue Memorandum Circular (RMC) No. 13-2022, which reiterates the amendment on the tax treatment of nonprofit hospitals and proprietary educational institutions through Republic Act No. 11635, entitled "An Act Amending Section 27(B) of the National Internal Revenue Code of 1997, As Amended, and for Other Purposes". Qualified proprietary educational institutions and hospitals, which are nonprofit, are subject to a tax of ten percent (10%) of their taxable income, provided that from July 1, 2020 until June 30, 2023, the tax rate imposed shall be one percent (1%).

Properties

Regulatory and Environmental Matters

Residential Condominium and Housing and Land Projects
Presidential Decree No. 957, The Subdivision and Condominium Buyers' Protective Decree, as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. The law covers subdivision projects and all areas included therein for residential, commercial, industrial, and recreational purposes as well as condominium projects for residential or commercial purposes. It also sets out standards for lower density developments.

The Department of Human Settlements and Urban Development (DHSUD) (formerly HLURB) is the administrative agency of the Government which, together with local government units, enforces these laws and has jurisdiction to regulate the real estate trade and business (under RA 11201). Subdivision or condominium units may be sold or offered for sale only after a license to sell (LTS) has been issued by DHSUD. The LTS may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision or condominium project and compliance with applicable laws and regulations.

All subdivision and condominium plans are subject to approval by the relevant Local Government Unit (LGU) in which the project is situated and by DHSUD. The development of subdivision and condominium projects can commence only after DHSUD has issued a development permit. Approval of such plans is conditional on, among other things, the developer's financial, technical, and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the LGU and DHSUD.

Owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Republic Act No. 9646, The Real Estate Service Act of the Philippines, provides that real estate consultants, appraisers, assessors, and brokers must pass the requisite exams and be duly registered and licensed by the Profession Regulation Commission (PRC), while real estate salespersons, or those who act of a real estate broker to facilitate a real estate transaction, only need to be accredited by the PRC. On the other hand, the Anti-Money Laundering Act of 2001 (AMLA), was recently amended by Republic Act No. (RA) 11521, has included real estate brokers and developers as covered persons (CPs) under the anti-money laundering/counter-terrorism financing (AML/CTF) regime. As a developer, the Company must report transactions which are considered as suspicious transactions and covered transactions or transactions with *single cash transactions in excess of PhP7.5 million*, or its equivalent in any other.

Project permits and the LTS may be suspended, cancelled or revoked by the DHSUD by itself or upon a verified complaint from an interested party for reasons such as non-delivery of title to fully paid buyers or deviation from approved plans. A license or permit to sell may only be suspended, cancelled, or revoked after notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the DHSUD's rules of procedure and other applicable laws.

Residential subdivision developments must comply with applicable laws and standard including but not limited to the Building Code (Presidential Decree No. 1096), regarding the suitability of the site, road access,

necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction. Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. A developer of a commercial subdivision is required to reserve at least 3.5% of the gross project area for parking and pedestrian malls, but the minimum parking area requirement may be further increased by ordinances promulgated by LGUs.
In the development of the condominium and subdivision, the company must use accredited contractors during construction. It's subsidiary, Community Developers and Construction Corporation (CDCC) is a Triple AAA contractor accredited by the Philippine Constructor Accreditation Board (PCAB). In the performance of CDCC's services, it continuously complies with the mandate of the Construction Industry Authority of the Philippines (CIAP).

Republic Act No. 7279, Urban Development and Housing Act of 1992, as amended by Republic Act No. 10884, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least fifteen percent (15%) of the total subdivision area or total subdivision project cost and at least five percent (5%) of condominium area or project cost, at the option of the developer, in accordance with the standards set by DHSUD. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development. The Company has benefited from providing low-income housing or projects of such types which are financially assisted by the government. These policies and programs may be modified or discontinued in the future.

The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers. Under Republic Act No. 10884, income derived by domestic corporations from the development and sale of socialized housing is exempt from project related income taxes, capital gains on raw lands used for the project, value-added tax for the project contractor concerned, transfer tax for both raw completed projects, and donor's tax for lands certified by the LGU to have been donated for socialized housing purposes. Under the current Investment Priorities Plan issued by the Board of Investments (BOI), mass housing projects including development and fabrication of housing components, are eligible for government incentives subject to certain policies and guidelines. In the future, since the sale of socialized housing units comprise a portion of homes sold by the Company, any changes in the tax treatment of income derived from the sale of socialized housing units may affect the effective rate of taxation of the Corporation.

Once construction has started or before buyer's move-in, the Company will incorporate the Condominium Corporation or Homeowners Association in the Project. The incorporation is done thru the help of the company's subsidiary/property management arm, Community Property Managers Group Inc. (CPMGI). Republic Act No. 4726, The Condominium Act, is the primary law governing condominiums. The law covers the legal definition of a condominium, the rights of a unit owner, and the rules governing transfers, conveyances, and partitions in condominiums. On the other hand, Republic Act No. 9904, Magna Carta for Homeowners and Homeowners' Associations is the law governing homeowners' associations. The law tackles the registration of association with DHSUD and the rights and obligations of a homeowner, among others.

Zoning and Land Use
Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform (DAR), land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.
Land use may also be limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential, or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Costs and Effects of Compliance with Environment Laws
Costs vary depending on the size and nature of a construction project for the construction and real estate businesses. The company and its subsidiaries secure an Environmental Compliance Certificate for its projects from the Department of Environment and Natural Resources. Continuous efforts have been made by the company to meet and exceed all statutory and regulatory standards.

Hospitality

The hospitality industry is affected primarily by tax regulations issued by the BIR in general, as well as memorandums issued by the Department of Labor and Employment, particularly on routine regulations covering adjustments minimum wage for hotel workers, and provisions the distribution of service charge.

Governmental Evaluation of Products

Construction Materials

UGC

The Department of Trade and Industry (DTI) under its Mandatory Labelling with Self-Declaration and Conformity, requires that importers and manufacturers ensure that labelling and marking requirements of the applicable product standard and of the Consumer Act of the Philippines (R.A. 7394) are marked on the product itself.

Likewise, the Bureau of Philippine Standards (BPS) administers a product certification scheme for products under its List of Products under Mandatory Certification with specific product coverage and classification in safety and performance. For products not included in the mandatory list, manufacturers may still apply for PS License under the voluntary product certification scheme. UGC's products fall under the voluntary product certification scheme.

Philcement

DTI, through the Bureau of Philippine Standards, mandates that the importation of cement products must comply with the implementing guidelines under Department Administrative Order 17-06 "The New Rules and Regulations Concerning the Mandatory Certification of Portland Cement and Blended Hydraulic Cement with Pozzolan".

Under the same DAO, all importers and manufacturers abroad need to undergo a product certification scheme for cement products incompliance with applicable Philippine National Standards (PNS 07:2018 for OPC and PNS 63:2008 for blended hydraulic cement with pozzolan).

Hospitality

The Department of Tourism (DOT) regularly evaluates the facilities and services of hotels and provides the corresponding DOT Accreditation, to officially recognize tourism enterprises as having complied with the standards for the operation of tourism facilities and services.

Raw Materials

Construction Materials

UGC

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils.

The main sources of galvanized and zinc aluminum coated materials are China and Vietnam. There are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

Philcement

Philcement mainly sources its cement products from its strategic partner in Vietnam. The cement supply agreements between Philcement and The Vissai Group are non-exclusive, done at arm's length, and are at market prices, and as such, Philcement is free to source cement from other parties for supply reliability and risk mitigation

All cement products are inspected and tested for product quality under the Philippine National Standards (PNS) and American Standards for Testing and Materials (ASTM) before they leave the port of origin, and again undergo product quality testing when they arrive at local ports.

Educational Services

The PHINMA Education Academic System continually evolves to serve the needs of students and of the industry, both in the Philippine and global contexts. PHINMA Education fulfills accreditation requirements to the extent required by law or by the directions set for the schools it operates or the programs they offer in both the Philippines and Indonesia.

Properties

PPHC's raw materials include cement, rebars, ready mix concrete, and structural steel, among others.

Research and Development

Construction Materials

Research and Development Cost * (in '000)

Period covered	**Amount**	**% to Revenues**
CY2023	P827	0.07%
CY2022	1,109	0.01%
CY 2021	3,011	0.03%

UGC

UGC has a full time Research and Development Section and one of its main functions is to take the lead in the Continuous Improvement Program in order to enhance product quality, customer service and cost competitiveness. UGC is an ISO-certified company for its Quality and Environmental Management Systems.

Philcement

In its pursuit of delivering consistent and high-quality cement, Philcement Corporation has constructively completed its cement laboratory at its Mariveles Facility in 2021. The investment allows Philcement to do its own physical and chemical cement tests to ensure the consistent quality of its cement sold and distributed to customers. The Head of Plant Management is the lead for Product Quality and R&D activities for cement.

In Q3 2021, Philcement's Mariveles facility received the Philippine Standards license accreditation from DTI, allowing the Company to produce Type IP cement products locally.

Philcement is an ISO-certified company for its Quality, Environmental, and Health and Safety Management Systems.

Educational Services

PEHI's Academic System continually evolves to serve the needs of students and of the industry, both in the Philippine and global contexts.

Properties

Research and development activities of the Registrant and its subsidiaries are done on a per project basis. PPHC and its subsidiaries do not allocate fixed percentages or specific amounts as the costs of research and development vary depending on the nature of the project.

Hospitality

PHINMA Hospitality continually studies both global and local tourism and travel trends and explores how these can be incorporated in hotel operations.

Cost and Effects of Compliance with Environmental Matters

A discussion of the Company's compliance with its Manual on Good Corporate Governance maybe found in "**Annex B"**

Construction Materials

The Construction Materials Group operates production facilities that are subject to environmental regulations with terms specified in the Environmental Compliance Certificates ("ECCs") granted by the Department of Environment and Natural Resources ("DENR"). Although the companies exert due diligence in ensuring their facilities comply with these terms, any violation of ECC terms may require the company involved to pay a fine or incur costs in order to cure the violation. There can be no assurance that current or future environmental laws and regulations will not increase the costs of conducting businesses. The introduction of new environmental laws and regulations applicable to the business could have a material adverse effect on the financial results of the business.

UGC

UGC, as a corporate citizen, is committed to protect the environment and safeguard the health and safety of its employees. It strictly conforms to government environmental regulatory standards through its pollution control facilities for water and air. It continuously monitors its wastewater and air emissions and maintains and improves such facilities and processes to ensure environment friendly results. Regular tests conducted internally and by third parties show that effluents consistently met Department of Environmental and Natural Resources (DENR) and Laguna Lake Development Authority (LLDA) standards. In addition, UGC is a member of the Local Government Units (Calamba Green Stream Brigade and Laguna Water Conservancy), Pollution Control Association of the Philippines, Inc. (PCAPI) and Water Environment Association of the Philippines (WEAP) to strengthen its commitment and involvement for a better environment.

An Environmental Management Group which reports directly to the Head of Manufacturing is responsible for the implementation of the Company's Environmental Program including compliance with all laws and regulations on Environmental Standards.

Philcement

Philcement fully complies with the regulations and conditions set by DENR and the Authority of the Freeport Area of Bataan. In January 2023, Philcement received its ISO certification, including its Environmental Management System.

A Pollution Control Officer, reporting directly to the Vice President – Plant Management, is responsible for the implementation and monitoring of the Company's environmental system, including compliance to environmental standards.

Employees

As of December 31, 2023 and 2022, PHN and its subsidiaries had a total of 4,420 and 3,983 employees, respectively, broken down as follows:

Officers and Employees

Company	No. of employees			
	CY 2023		CY 2022	
PHN (Holding Company)				
Management	**7**		5	
Staff	**12**	**19**	13	18
UGC				
Executive	**15**		18	
Managers	**85**		74	
Supervisors	**458**		422	
Rank and File	**172**	**730**	180	694
Philcement				
Executive	**11**		7	
Managers	**24**		19	
Supervisors	**109**		85	
Rank and File	**8**	**152**	4	115
Phinma Solar				
Executive	**4**		3	
Managers	**10**		11	
Supervisors	**21**	**35**	19	33
AU				
Academic	**274**		269	
School Operations	**107**	**381**	126	395
COC				
Academic	**451**		357	
School Operations	**97**	**548**	127	484
UPANG				
Academic	**335**		399	
School Operations	**89**	**424**	95	494
UI				
Academic	**431**		235	
School Operations	**119**	**550**	112	347
SWU				
Academic	**384**		339	
School Operations	**153**	**537**	135	474
SJC				

Academic	**158**		121	
School Operations	**63**	**221**	64	185
RC				
Academic	**28**		23	
School Operations	**17**	**45**	15	38
RCL				
Academic	**41**		19	
School Operations	**29**	**70**	26	45
UCL				
Academic	**42**		27	
School Operations	**24**	**66**	20	47
PEHI Rockwell				
Management	**51**		23	
Staff	**25**	**76**	44	67
PPHC*				
Executive	**8**		-	
Managers	**29**		-	
Supervisors	**85**		-	
Rank and File	**71**	**193**	-	-
CPMGI*				
Executive	**2**		-	
Managers	**13**		-	
Supervisors	**45**		-	
Rank and File	**119**	**179**	-	-
CDCC*				
Executive	**3**		-	
Managers	**3**		-	
Supervisors	**32**		-	
Rank and File	**67**	**105**	-	-
PHINMA HOSPITALITY*				
Executive	**6**		-	
Managers	**23**		-	
Supervisors	**3**		-	
Rank and File	**5**	**37**	-	-
PHINMA MICROTEL HOTELS*				
Executive	**3**		-	
Managers	**-**		-	
Supervisors	**-**		-	

Rank and File	**2**	**5**	-	-
CORAL WAY CITY HOTEL (MICROTEL MOA)*				
Executive	**-**		-	
Managers	**8**		-	
Supervisors	**5**		-	
Rank and File	**14**	**27**	-	-
KRYPTON ESPLANADE (TRYP)*				
Executive	**-**		-	
Managers	**4**		-	
Supervisors	**5**		-	
Rank and File	**11**	**20**	-	-
TOTAL		**4,420**		3,436

**These companies were consolidated to the Corporation only starting from the third quarter of 2023, after the purchase of shares in PPHC, PHINMA Hospitality and PHINMA Microtel in July 2023.*

Employees of PHN and its subsidiaries are not subject to a Collective Bargaining Agreement (CBA) except for the following subsidiaries:

a) UPANG - CBA renewed on June 14, 2022 and will expire on June 10, 2027;

and

b) UGC - CBA been renewed on July 1, 2020 and will expire on June 30, 2025

The Company does not expect a substantial change in the workforce in the next twelve (12) months.

Risk Factors

1. Dividend Restriction

As a holding company which primarily derives cashflow from dividend income from its investments in subsidiaries and associates, PHINMA's ability to service its own obligations may be affected by the dividend restrictions imposed by the outstanding loan agreements and financial stability of its operating companies. Moreover, creditors of PHINMA's subsidiaries and affiliates will have priority claims over the assets of such subsidiaries and affiliates.

The Company has put in place prudent financial management measures, one of which is centralizing all loan documentation and availment within the Treasury Group, to ensure its subsidiaries and affiliates are still afforded flexibility to upstream dividends to their parent.

As parent company, PHINMA earned ₱341.49 million, ₱169.22 million, ₱307.86 million of dividend income for the years 2023, 2022 and 2021, respectively. Though these may not be indicative of future performance of the Company, PHINMA hopes to benefit from its expansion initiatives such as new acquisitions for PHINMA Education including RCI, RCL, and Union College of Laguna, Inc. ("Union College"), to expand its cashflow stream.

2. Business Cyclicality Risk

Select businesses of the Group have exhibited seasonality in demand and revenues. Demand for construction materials are higher during the months from December to May, than in the rainy months of June to November. School year for PHINMA Education's schools is generally from August to April and summer classes are from May to July. Thus, cashflow outside these periods may be relatively lower.

The Company takes this business seasonality into account during periodic budget review and undertakes capital reallocation as necessary should there be adverse changes in the business units projected cashflows.

3. Competition Risk

Construction Materials

The construction materials industry is a fragmented industry with numerous domestic and foreign competitors, although there are local market players, such as UGC, that hold relatively strong market positions.

As of December 31, 2023, UGC's estimated domestic market share for steel roofing and polyurethane products is around 6-8%, while its market share for light steel frames is around 5%, based on the company's estimates. UGC's steel roofing and steel products business faces stiff competition from other market participants that import finished steel products from foreign sources like China, Korea and Vietnam.

Compared to its competitors, UGC has a very large and diversified distribution network, with roll forming plants, warehouses, and sales offices in strategic locations throughout the country. UGC leverages its nationwide distribution and manufacturing footprint as a competitive advantage that ensures that its products are always available when needed by its customers. UGC can also manufacture and import roofing materials, giving it the flexibility to fulfill large, customized orders.

Philcement likewise operates in a highly competitive industry. Market players may employ aggressive pricing strategies and make it difficult for competitors, in general, to gain any non-price competitive advantage. Philcement mitigates this risk by owning and operating a very efficient cement terminal in Bataan (the "Mariveles Cement Facility") that allows the company to efficiently load and unload cement into and from vessels and transport them to different destinations nationwide. To this date, Philcement has been able to competitively serve key markets in North Luzon, Central Luzon, South Luzon, Metro Manila, Visayas, and Mindanao regions.

With the strong outcry for cleaner energy, PHINMA Solar finds itself in a very attractive and growing industry. Aside from other medium- and large-sized companies that offer solar rooftop solutions, several options have become available to the retail market, some of which are do-it-yourself and easily accessible through e-commerce channels. PHINMA Solar addresses this risk by ensuring high quality offers made possible by the use of materials that are of the highest quality, known as Tier 1 in the industry, as well as the provision of after-sales services. In addition PHINMA Solar leverages on its parent company UGC to compete in the rooftop solar market where PHIMA Solar was recently the sole company awarded rooftop solar contracts under the Department of Energy's Green Energy Auction Program (GEAP).

Educational Services

PHINMA Education Schools compete with both public and private educational institutions that cater to the low income market. If PHINMA Education is unable to keep its education costs at competitive levels, it may not be able to attract the desired number of students to maintain its growth and profitability.

PHINMA Education Schools are competitively priced compared to the other Higher Education Institutions (HEIs) which target the same market. Although State Universities and Colleges (SUC) offer free tuition since the passage of the Universal Access to Tertiary Education Act, enrollment in SUCs is limited due to constraints in budget and infrastructure, as well as stringent academic admission requirements of SUCs. In general, the PHINMA Education Schools, in terms of enrolment, are among the top 5 private schools operating in their respective localities based on enrollment size, with the exception of the newer acquisitions (SJCI, RCI, and RCL). Costs are managed in order to keep tuition fees accessible to the target market. Programs are modular, offering students options for shorter courses resulting in immediate course completion with employable skills. Options for remote and distance learning also reduce student transportations costs and improve affordability.

PHINMA Education Schools are designed to promote active learning and enable students immediately complete courses with employable skills. In total, PHINMA Education Schools have fielded 127 board exam topnotchers since PHINMA Education's acquisition of its first school in 2004. In terms of employment, around 81% of graduates are accepted into their first job within one (1) year from graduation based on tracer studies.

4. Market Risk

Construction Materials

The Company primarily serves the construction industry and by extension the infrastructure and real estate sectors. Growth in these key industries may be affected by certain factors including market trends, overall economic growth, and government policy. The strong consumption of construction materials in recent years may be affected by a national economic downturn, such as that caused by the ongoing COVID-19 pandemic and the global economic slowdown following the war between Russia and Ukraine, leading to the delay of construction projects and real estate developments. A change in government policy and lowered budget spending on infrastructure may also lead to lower sales growth.

The Construction Materials Group will continue to optimize its nationwide distribution area to deliver high quality products and bring value to its customers.

Educational Services

A recession or decline in disposable income caused by the pandemic or other factors may reduce demand for affordable education. A discontinuation of the Senior High School Voucher Program and government subsidy for tertiary education may adversely impact the number of enrollees in PHINMA Education Schools.

5. Regulatory Risk

Construction Materials

The Construction Materials Group relies heavily on the importation of inputs including cement and steel roofing raw materials. Any new taxes on these inputs or other new forms of non-tariff import restrictions may increase prices, reduce market demand and adversely affect the business and financial performance of the Construction Materials Group.

In August 2019, the Department of Trade and Industry ("DTI") imposed a definitive safeguard duty on imported cement for three years to redress alleged serious injury in the domestic industry. Philcement has filed a case with the Court of Tax Appeals ("CTA") opposing the safeguard taxes, maintaining that local cement manufacturers were not unduly harmed by cement imports. As of writing, the case is still pending with the CTA. Subsequently, the domestic industry applied for an extension of the safeguard duty, which expired in October 2022. The Tariff Commission did not recommend the extension of the safeguard duty citing no significant impairment in the overall position of the domestic industry and no existence of an imminent threat of serious injury in the near future. DTI concurred with the recommendation of the Tariff Commission and in October 2022, dismissed the petition filed by local cement manufacturers to extend the tariff protection.

On top of safeguard measures, the domestic cement industry also applied for the imposition of anti-dumping duties on cement imported from Vietnam. In October 2022, the Tariff Commission determined that an anti-dumping duty should be imposed on various Vietnamese exporters of cement, including Philcement's supplier of Ordinary Portland Cement ("OPC" or "Type I"). DTI issued the final order in February 2019 imposing the aforementioned duty for a period of 5 years.

To mitigate this risk, Philcement has started to manufacture its own blended cement in 2021, sold in the market as Union Extra Strength. Philcement has also established supply from other cement manufacturers in Asia. Moreover, Philcement has initiated several projects over a medium-term horizon which will allow the company to expand its product offerings and its domestic production of blended cement.

For the steel industry, DTI has received an application for safeguard tax protection from two local manufacturers claiming import protection in the galvanized roofing category, where UGC is also present. To mitigate this risk, UGC has the flexibility of activating its existing galvanized line to locally produce its own galvanized roofing. UGC, together with other steel roofing importers, continues to lobby against safeguard duties and has also submitted a position paper to the DTI against the proposed safeguard taxes to protect consumer interests.

Educational Services

The ability to raise additional equity financing from non-Philippine investors is restricted by the foreign ownership restrictions imposed by the Constitution and applicable laws. The Constitution prescribes that educational institutions shall be owned solely by citizens of the Philippines or corporations or associations at least sixty percent (60%) of the capital of which is owned by such citizens, except for educational institutions established by religious groups and mission boards.

The extended suspension of face-to-face classes due to pandemics may adversely impact the financial and operating performance of PHINMA Education. PHINMA Education has in the past adjusted its operations by piloting its new Flex Learning and Remote and Distance Learning programs. These remote learning programs are newly introduced, and their effectiveness compared to face-to-face classes are regularly being assessed and improved. To mitigate possible issues, PHINMA Education is conducting more frequent consultation with students and teachers and periodically adjusts the programs based on early feedback. The Flex Learning program also provides the flexibility to transition to face-to-face classes as these are gradually allowed.

Proposed legislation may have an effect on the operations of PHINMA Education. In December 2023, the Philippine Senate ratified the “No Permit, No Exam Prohibition Act” which is a reconciled version of Senate and House of Representative bills prohibiting private schools from disallowing students delinquent in their tuition payments from taking exams. As of February 2024, this proposed legislation has not yet been signed into law. Although this proposed law could affect the timing of PHINMA Education’s tuition collections, the company believes any overall effects on operations to be minimal. To address risks from future education policy changes, the company has initiated a Private Education Policy initiative which seeks to communicate the benefits of and represent the interests of the Private education sector to private and government stakeholders.

PHINMA Education continues to ensure compliance with the program and curriculum guidelines and requirements of the Commission on Higher Education (CHED), Department of Education (DepEd) and Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU). PHINMA Education also continuously engages in dialogue with CHED and other regulatory bodies, and coordinates with other educational institutions to develop guidelines for remote learning in the country.

6. Supply Chain Risk

Construction Materials

Philcement relies heavily on the importation of cement and cement materials. Philcement procures majority of its cement and cement materials from Vietnam. Any disruption in the supply of cement from Vietnam may have a material adverse effect on the operations and financial performance of Philcement. In addition, any prolonged disruption in supply of imported cement could adversely affect Philcement’s relationships with key customers, including large cement dealers and retailers.

Philcement is free to source cement from other parties to ensure reliability in its supply chain. To diversify supply, Philcement has developed cement supply arrangements with another supplier in Asia, and continues to explore other sources of cement supply. There are key projects under evaluation which will provide the flexibility and capability to competitively produce and distribute cement domestically.

Philcement’s supply chain can also be adversely affected in the event of a disruption in operations in its port in Bataan, which may be rendered non-operational due to accident or other event of Force Majeure.

For UGC, although the company imports both raw materials and finished products primarily from Chinese suppliers, the China steel industry is diverse to the point that there is no material risk posed by supply disruption from any single supplier. However, developments in the Chinese economy and any changes in the regulations in China that are relevant to their steel industry may have an impact on the performance of UGC.

As the business of Construction Materials Group involves importation of raw materials for manufacturing inputs, geopolitical disruptions, disruptions in global supply chains and changes in global oil prices can have a significant impact on the ability of the company to source imported raw materials or on transportation costs, impacting the margins and pricing for products and services. To mitigate this, Construction Materials Group has initiatives to diversify imported raw material sources and also enters into both long-term and short-term vendor contracts with vessel companies to smoothen out the effect of volatility in oil prices on transportation costs.

7. People Risk

The current and future performance of the Company depends on the expertise, experience, and continued service and employment of its senior management and key officers. The loss of the services of key officers or members of the management team could result in disruption in the operations of the Company and may delay the execution of its business plans and growth strategies.
To mitigate this risk, the Company has adopted a succession plan by identifying members of the management team who will be able to assume and take on the role and additional responsibilities arising from departures of senior management. The Company has also established organizational policies and procedures for the development and advancement of its employees to ensure that business continuity is done by employees with superior skills and talent thereby diminishing overdependence on key individuals in the Company.

Operations of the businesses can be substantially affected by a pandemic outbreak affecting the health of employees, clients, customers, or students at the various sites including manufacturing plants, warehouses, schools, affordable housing developments, hotels, and head offices. In general, on-site work by employees has been limited, where possible, through work-from-home arrangements. While operations are, to the extent possible, managed remotely. PHINMA has taken measures to ensure that the facilities are safe and that employees, students, and customers will be assured of their well-being should they visit the facilities. In the past, PHINMA has implemented thermal-scanning and other controls at all designated entrances and exits, and other sanitation and social distancing protocols including directional passageways and signs, and disinfection stations. Masks and appropriate face coverings are required in all facilities, and all facilities adhere to local government protocols.

The Company further recognizes the need to support physical, psychological and mental wellbeing. The program My Wellness Journey, aims to address all of these concerns. Employees are given access to professional support for mental wellness and psychological safety, while physical well-being is promoted on a regular basis with various programs across the Group.

8. Dependence on Key Facilities and Equipment

Construction Materials
A substantial portion of UGC’s income is derived from the sale of products produced or processed at UGC’s production facilities. Any breakdown of, or significant damage to, UGC’s production facilities could have a material adverse effect on its operations. UGC maintains comprehensive property and casualty insurance policies on its production facilities under a broad name peril policy. However, there is no assurance that the proceeds from UGC’s insurance policies would be sufficient to insulate UGC from all effects of possible total loss or damage caused by the named perils in the respective policies. In addition, UGC has adopted a risks management system covering preventive and preparedness action plans.

Philcement derives its revenues and income from the sale of cement products. Any breakdown of, or significant damage to, Philcement’s materials handling and processing facilities could have a material adverse effect on the results of its operations. While the equipment is still under warranty, substantial downtime could affect the efficiency of operations and attainment of financial goals and objectives. To mitigate risk of equipment failure, Philcement maintains multiple units for key items of equipment such as cement storage silos, mechanized cement packers, and truck loaders.

Educational Services

The income of the Education Group is derived from education operations at various school locations. Risk of a halt in operations due to fire or calamity is mitigated to the extent that all the schools currently employ remote learning models. The schools similarly have insurance protection, with coverage including property all risk insurance and fire and allied perils.

9. Dependence on Logistics

For the Construction Materials Group in particular, the business relies on the orderly and timely movement of imported inputs such as cement, steel coils, and solar panels into the facilities, as well as the orderly and timely dispatch of finished products to customers or warehouses. Thus, the business is highly dependent on the reliability of owned, as well as leased, logistics facilities and equipment including ship unloading equipment, warehouses, cement storage silos, ships, and trucks. Any event which causes damage or renders inoperable key logistics components such as piers or major roads could substantially affect business operations of the Construction Materials Group. In addition, any increase in third-party-provided logistics services, including international shipping and freight costs, could also effectively increase raw materials costs and reduce profit margins for the Construction Materials Group.

The Construction Materials Group companies maintain adequate level of insurance coverage over the facilities involved and undertakes periodic equipment repairs and maintenance.

10. Dependence on Weather

Construction Materials

Severe weather disturbances can affect the loading and unloading of cement at Philcement's Mariveles facility. Vessels cannot be loaded, transported, or unloaded over the duration of the severe weather disturbance. Prolonged or frequent weather disturbances could delay inbound material shipments which could reduce the inbound capacity of the terminal resulting in reduced sales for Philcement. Weather disturbances can also delay outbound overland shipments to customers resulting in failure to meet delivery schedules.

To mitigate this risk, Philcement contracts larger vessels more capable of withstanding turbulent weather. Philcement is also developing relationship with cement suppliers from other countries to diversify supplier base as well as geographic region.

Weather disturbances can also delay inbound shipments of raw materials to UGC as well as outbound delivery of finished products to customers. UGC relies on several third party operated ports for inbound shipments to reduce risk from weather disturbances and also performs seasonal planning and stocking to mitigate supply outages. The adverse effect of weather disturbances on outbound deliveries is also reduced due to UGCs nationwide network of roll forming facilities and warehouses, which reduces distance to customers and provides an available amount of finished goods inventory. UGC also tends to sell more steel roofing in the wake of weather disturbances in the Philippines involving strong winds which increases the demand for roofing around the country.

Educational Services

The Education Group is likewise affected by weather disturbances to the extent such disturbances affect the holding of face-to-face classes at each particular location. This is mitigated to the extent that all the schools currently employ some form of remote learning where the students do not attend face-to-face classes. The schools have also historically acted as local typhoon relief and evacuation centers in their particular communities.

11. Information Security Risk

In conducting their businesses, the business segments are required to retain confidential information from customers. Although the business segments take the necessary precautions to secure such information, advances in the field of cryptography and increased exposure due to the recent prevalence of online transactions could result in compromise or breaches of security systems and personal data stored in our systems. The security measures set up by the Company and/or its subsidiaries may be inadequate to prevent security breaches which could adversely affect business operations.

The Company and its subsidiaries take precautions to protect the personal information of its customers through existing and periodically updated IT security policies. These policies are implemented by the respective IT teams of the Company and each of the subsidiaries. In addition, the Company and its subsidiaries have various information security software and tools, including firewalls, anti-virus, and 2-FA (2-Factor Authentication). IT risk assessment is periodically conducted using vulnerability assessment and penetration testing to check the vulnerability of the Company's and the subsidiaries' IT systems and network. Finally, information security awareness and training are also provided to all employees.

RISKS RELATED TO THE PHILIPPINES

1. Territorial Disputes

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea.

In January 2013, the Philippines lodged an arbitration case against China at the Permanent Court of Arbitration in The Hague to resolve the territorial dispute. China refused to recognize that the international tribunal had jurisdiction over the case. In July 2016, the international tribunal ruled in favor of the Philippines in its case against China by upholding the position that China's "nine dash line" maritime claim is excessive and that it encroached into the Philippines' 200-nautical mile exclusive economic zone. It held that China had no legal basis to claim historic and economic rights to resources within the sea areas falling within the "nine-dash line".

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. Further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the business, financial condition and results of operations of the Company and its Subsidiaries.

2. Foreign Exchange Risk

Majority of the Company's revenues are denominated in Philippine peso. Nonetheless, the Company has offshore transactions such as its U.S. dollar-denominated preferred share investment in Vietnam, investments in schools in Indonesia and sourcing of cement from Vietnam. The Company likewise has plans of expanding its footprint in Southeast Asia, thus exposing PHINMA to more foreign exchange risks.

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP allows market forces, such as supply and demand, market-moving events, to dictate exchange rate movement. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Philippine Peso will not deprecate against other currencies.

To mitigate its exposure to exchange rate fluctuation, the exchange rate risks on other foreign currencies are managed through constant monitoring of the global political and economic environment and its impact on the foreign exchange rates. Additionally, the Company takes advantage of hedging instruments such as deliverable and non-deliverable forward contracts to mitigate said risks.

Property, Plant and Equipment

Table - Property, Plant and Equipment (in thousands)

	Dec. 31, 2023*	Dec. 31, 2022*
Cost		
Land	**₱4,188,583**	₱3,271,394
Plant site improvements	**4,296,922**	3,472,872
Buildings and improvements	**6,588,237**	4,549,537
Machinery and equipment	**3,037,574**	2,495,712
Transportation and other equipment	**1,020,256**	602,384
Linens, Curtains and Draperies	**31,790**	-
	19,163,362	14,391,899
Less : accumulated depreciation		
Plant site improvements	**520,135**	375,831
Buildings and improvements	**2,219,309**	1,592,772

Machinery and equipment	**2,206,471**	1,842,164
Transportation and other equipment	**719,758**	404,896
Linens, Curtains and Draperies	**27,194**	-
	5,692,867	4,215,663
	13,470,495	10,176,236
Construction in progress	**1,009,495**	1,406,151
Net Book Value	**₱14,479,990**	₱11,582,387

**Source: Audited financial statements as of December 31, 2023.*

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2023.

Currently, the Company has no intention to acquire material properties in the next twelve (12) months.

The following table summarizes the Group's principal properties as of December 31, 2023:

Description	Location	Use	Mortgages
PHINMA			
Land	Silang, Cavite; Calaca, Batangas; San Fernando, La Union; Samal Island, Davao Del Norte	Investment property; Residential	No encumbrances
Buildings and improvements	Makati City, Metro Manila; Silang, Cavite; San Fernando, La Union	Office space and parking lots; Residential	No encumbrances
UGC			
Land, plant and equipment	Calamba City, Laguna; Davao City, Davao del Sur	Plant operations and office	Encumbered
Lease improvements, machinery and equipment	San Fernando City, La Union; San Fernando City, Pampanga; Batangas City, Batangas; Cainta, Rizal; Pili, Camarines Sur; Bacolod City, Negros Occidental; Cebu City, Cebu; Tacloban City, Leyte; Iloilo City, Iloilo; Butuan City, Agusan del Norte; Cagayan de Oro City, Misamis Oriental; Zamboanga City, Zamboanga de Sur	Roll forming operations	No encumbrances
Lease improvements, machinery and equipment	Lucena City, Quezon; Ozamis City, Misamis Occidental	Warehousing operations	No encumbrances
Condominium unit	Las Pinas City, Metro Manila;	Investment property	No encumbrances
Residential lot	Davao City, Davao del Sur; Isulan, Sultan Kudarat	Investment property	No encumbrances
Philcement			
Plant site improvements	Mariveles Diversion Road, Mariveles Bataan	Industrial	Encumbered
Educational Services			
Land, buildings and improvements	Cubao, Quezon City; Sampaloc, Metro Manila; Calamba, Laguna; Sta. Cruz, Laguna; Cebu City, Cebu; Danao, Cebu; Talisay City, Cebu; Iligan City, Misamis Oriental; Urdaneta City, Pangasinan	Educational, hospital, commercial, residential and agricultural	No encumbrances

Description	Location	Use	Mortgages
Land, buildings and improvements	Cabanatuan City, Nueva Ecija; San Jose City, Nueva Ecija; Dagupan City, Pangasinan; Iloilo City, Iloilo; Cagayan de Oro City, Misamis Oriental	Educational and residential	Encumbered
PPHC			
Building and building improvements, leasehold improvements, Office Equipment	Metro Manila, Bulacan, Cavite, Bacolod, Iloilo, Cebu, Davao	Administrative and Office use	No encumbrances
Machinery, Field Equipment	Metro Manila, Batangas, Cebu, Davao,	Construction	No encumbrances
Right of use asset	Metro Manila	Administrative and Office Use	No encumbrances
PSHC			
Land	Calum[pit, Bulacan	Industrial	Encumbered

Lease Agreements

The Company, UGC, and schools also enter into lease agreements or other arrangements with various persons and entities for use in operations and office space. Lease agreements are subject to renewal under such terms and condition as may be mutually agreed upon by both parties.

PHINMA leases a portion of its office space which have a term of one (1) year, renewable at the option of the lessor at such terms and conditions to be mutually agreed by the parties.

Construction Materials

Union Galvasteel Corporation, Philcement and Phinma Solar entered into lease agreements covering its plants and warehouses, which have terms ranging from one (1) to twenty-five (25) years, renewable subject to mutual agreement of UGC, Philcement or Phinma Solar and the lessor under certain terms and conditions. In 2023, payments related to short-term leases totalled Php118.905 million and payments for long-term leases amounted to Php92.927 million

Educational Services

As a Lessee

On April 1, 2019, the College entered into a lease contract to occupy a four (4) storey building to be used exclusively for educational or school purposes for a period of 5 years. The lease agreement can be renewed subject to mutual agreement and can be terminated at the option of the College on the 3rd and 5th year of the lease. Refundable deposit related to the lease contract amounting to P0.2 million as at December 31, 2023 and 2022 equivalent to one month's rent shall be returned to the College after the expiration of lease term. In 2022, the College and the lessor agreed to amend the monthly rate from Php 220,000 to Php 90,000 starting June 2021 until the College resumes face-to-face classes. In 2023, the College and lessor agreed to increase the monthly rate to Php 200,000 starting December 2022.

As a Lessor

PHINMA Education's schools enter into operating leases on some of its properties, particularly, portions of its land and buildings for the operation of cell sites, canteens, food stands and convenience stores. These leases have terms ranging from less than a year to twenty-five (25) years. They include upward revisions or escalation clauses on the rental charge on an annual basis according to the prevailing market conditions, and are renewable subject to mutual agreement under certain terms and conditions.

On June 1, 2023, SWU entered into another lease contract for its investment properties. The lease term is five years with two months rent-free period. Monthly rental is Php 70,000, subject to 5% rent escalation beginning on the third year of commencement of the lease. On July 1, 2023, SWU entered a renewal of lease for its investment property. The lease term is five-years. Monthly rental is at Php 103,421.88, subject to 5% escalation clause beginning the 2nd year of lease contract.

Hospitality

As a Lessee

On August 16, 2009, the Company entered into a lease agreement with EMAR for the lease of office space, subject to annual renewal. Lease payments made in 2023 amount to Php 2,564,338.

Legal Proceedings

Construction Materials

Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc., and Philcement Corporation vs. Secretary Of Trade And Industry, Secretary of Finance, Commissioner Of Customs, And Chairman of The Tariff Commission (Court of Tax Appeals Case No. 10185)

On October 11, 2019, Philcement Corporation, a subsidiary of the Company, together with other cement importers Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc. , filed a Petition for Review with the Court of Tax Appeals (“CTA”) praying for the reversal and nullification of the decision of the Secretary of the Department of Trade and Industry (“DTI”) dated 27 August 2019, or DTI Department Administrative Order ("DAO") No. 19-13, safeguard duties (the “Duties) on imported cement classified. Said petitioners also seek a declaration that they are not liable for payment of said Duties and a refund of the Duties already paid. They principally assert that their importations cause no serious injury or threat of serious injury to the domestic cement industry. Further, consistent with the position of the Philippine Competition Commission, the imposition of the Duties would weaken competitive pressure and endanger the realization of huge benefits that a competitive landscape in the cement industry would bring. The said petition is still pending for resolution before the CTA.

Properties

PPHC and its subsidiaries and affiliates are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. In the opinion of PPHC’s management, none of the lawsuits or legal actions to which it is currently subject will materially affect the daily operations of its business nor will they have a material effect on the Group’s consolidated financial position.

Market Registrant’s Common Equity and Related Stockholders’ Matters

Market Price

The shares of stock of PHN are listed and traded in the Philippine Stock Exchange, Inc. (PSE). The high and low market prices of the shares of stock of PHN for each quarter within the last two (2) years, and for the months January to February of 2024, are as follows:

Period	High	Low
Calendar Year 2024		
January	20.40	19.50
February	20.40	19.60
Calendar Year 2023		
January – March	19.78	18.90
April – June	19.78	18.00
July – September	20.75	19.02
October - December	20.45	19.50
Calendar Year 2022		
January – March	21.05	18.00
April – June	19.94	18.90

July – September	21.25	18.90
October - December	20.65	18.50

Source: Philippine Stock Exchange, Inc.

Dividends on Common Shares

Cash Dividends Payment on Common Shares

The payment by PHN of dividends shall be subject to the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration, loan covenants and financial ratios.

PHN declares cash or stock dividends to its common stockholders in amounts determined by the Board taking into consideration the results of the Company's operations, its cash position, investments and capital expenditure requirements, and unrestricted retained earnings. The Company also declares special cash dividends where appropriate.

Dividends declared and paid from 2010 to 2023 are as follows:

	Dividend			
Date of Declaration	**Type**	**Rate**	**Record Date**	**Payment Date**
March 3, 2010	Cash	P0.40 per share	March 29, 2010	April 23, 2010
March 3, 2011	Cash	P0.40 per share	March 29, 2011	April 26, 2011
March 22, 2012	Cash	P0.40 per share	April 11, 2012	April 26, 2012
March 6, 2013	Cash	P0.40 per share	March 22, 2013	April 17, 2013
March 4, 2014	Cash	P0.40 per share	March 20, 2014	April 15, 2014
March 4, 2015	Cash	P0.40 per share	March 18, 2015	March 31, 2015
March 4, 2016	Cash	P0.40 per share	March 18, 2016	March 31, 2016
March 22, 2017	Cash	P0.40 per share	April 5, 2017	April 21, 2017
March 6, 2018	Cash	P0.40 per share	March 22, 2018	April 6, 2018
March 5, 2019	Cash	P0.40 per share	March 21, 2019	March 29, 2019
November 11, 2019	Cash	P0.40 per share	November 25,	December 9, 2019
February 28, 2020	Cash	P0.40 per share	March 17, 2020	March 27, 2020
March 2, 2021	Cash	P0.40 per share	April 14, 2021	May 5, 2021
March 1, 2022	Cash	P0.40 per share	March 22, 2022	April 6, 2022
March 1, 2022	Cash	P0.10 per share	March 22, 2022	April 6, 2022
March 3, 2023	Cash	P0.60 per share	March 22, 2023	April 5, 2023

On March 5, 2024, the Board of Directors declared regular cash dividend of P 0.60 per share to all shareholders of record as of March 25, 2024 payable April 12, 2024.

Stock Dividends Payment on Common Shares

No stock dividend was declared for the calendar years 2018 up to 2023.

Holders

As of January 31, 2024, there are 1,214 common shareholders.

Sale of Unregistered Securities Within the Last Three (3) Years:

PHN has no unregistered securities, hence no sale of said securities within the last three (3) years.

Stockholders

As of January 31, 2024, PHN has 286,325,265 common shares outstanding held by 1,214 stockholders. The list of the top twenty (20) stockholders of the Company as recorded by the Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Ran	Stockholders	No. of Shares	% of ownership
1	PCD Nominee Corp. (Filipino)	167,035,114	58.34%
2	Philippine Investment Management, Inc. (PHINMA)	97,903,395	34.19%
3	Magdaleno B. Albarracin, Jr.&/OR Trinidad Albaraccin	9,535,459	3.33%
4	Philippine Remnants Co.	1,176,308	0.41%
5	Salud D. De Castro	550,000	0.19%
6	Kayumanggi Publishers Co.	517,762	0.18%
7	Magdaleno B. Albarracin Jr. OR Trinidad M. Albarracin	464,600	0.16%
8	Victor Juan Del Rosario	439,356	0.15%
9	PCD Nominee Corp. (Non-Filipino)	424,246	0.15%
10	Doris Teresa Ho	185,461	0.06%
11	Virginia S. Syjuco	178,204	0.06%
12	Daughters of Charity of St. Vincent de Paul	175,533	0.06%
13	The Roman Catholic Bishop of the Diocese of Juan de Dios	169,268	0.06%
14	United Life Assurance Corporation	153,916	0.05%
15	Regina B. Alvarez	153,413	0.05%
16	United Insurance Company, Inc.	149,860	0.05%
17	Rosalia M. Amando	142,632	0.05%
18	Blanquita S. Gonzalez	141,051	0.05%
19	Caridad Sanchez Babao	115,484	0.04%
20	Bella S. Barrera	115,108	0.04%
TOTAL		**279,726,170**	**97.70%**

Directors

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman
Dr. Magdaleno B. Albarracin, Jr.	Vice-Chairman
Jose L. Cuisia, Jr.	
Victor J. del Rosario	
Meliton B. Salazar, Jr.	
Eduardo A. Sahagun	
Juan B. Santos	Independent Director
Atty. Lilia B. de Lima	Independent Director
Rizalina G. Mantaring	Independent Director
Edgar O. Chua	Independent Director

Officers

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman and CEO
Dr. Magdaleno B. Albarracin, Jr.	Vice-Chairman
Roberto M. Lavina	Board Advisor
Meliton B. Salazar, Jr.	President and COO, Head of Education
Eduardo A. Sahagun	Executive Vice President, Construction Materials
Pythagoras L. Brion, Jr.	Group CFO
Jose Mari R. del Rosario	Senior Vice President, Hospitality
Raphael B. Felix	Senior Vice President, Properties
Regina B. Alvarez	Senior Vice President, Group Controller
Nanette P. Villalobos	Vice President, Treasurer
Edmund Alan A. Qua Hiansen	Vice President, Deputy Group CFO
Annabelle S. Guzman	Vice President, Controller
Rolando D. Soliven	Vice President, Corporate Governance
Peter Angelo V. Perfecto	Vice President, Public Affairs

Giles R. Katigbak	Assistant Vice President, Chief Risk Officer
Grace M. Purisima	Assistant Treasurer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

Executive Committee

Name	Position
Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member (Non-executive Director)
Meliton B. Salazar, Jr.	Member
Juan B. Santos	Member (Independent Director)

Audit and Related Party Transactions Committee

Name	Position
Juan B. Santos	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)
Jose L. Cuisia, Jr.	Member (Non-executive Director)

Risk Oversight Committee

Name	Position
Rizalina G. Mantaring	Chairman (Independent Director)
Edgar O. Chua	Member (Independent Director)
Lilia B. de Lima	Member (Independent Director)
Magdaleno B. Albarracin, Jr.	Member

Corporate Governance Committee

Name	Position
Lilia B. de Lima	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)

Nominations Committee

Name	Position
Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member (Non-executive Director)

Compensation Committee

Name	Position
Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member (Non-executive Director)

ANNEX E

Minutes of Annual Shareholders Meeting
April 11, 2023

PHINMA CORPORATION
MINUTES OF THE ANNUAL MEETING
OF STOCKHOLDERS
on Tuesday, 11 April 2023, at 10:00 a.m.

Stockholders Present:

Philippine Investment Management (PHINMA), Inc.
ABCIC Property Holdings Corporation
Blue River Holdings, Inc.
Mariposa Properties
Emar Corporation
Mary Lou Hilado
Michael Hilado
Rosary Holding Corporation, Inc.
Oscar J. Hilado
Ramon R. del Rosario, Jr.
Magdaleno B. Albarracin, Jr.
Victor J. del Rosario
Jose L. Cuisia, Jr.
Meliton B. Salazar, Jr.
Eduardo A. Sahagun
Lilia B. de Lima
Juan B. Santos
Rizalina G. Mantaring
Edgar O. Chua
Jose Mari R. del Rosario
Regina B. Alvarez
Pythagoras L. Brion, Jr.
Nanette P. Villalobos
Peter Angelo V. Perfecto
Edmund Alan A. Qua Hiansen
Rolando D. Soliven
Roderick Alain Alvarez
Kristine Bernadette Liamzon
Theodore David
Eugenia Socorro Cruz Gomez
Nora Barja
Edward Barja
Ernesto K. Lim
Iris Veronica G. Lim

Directors Present:

Mr. Ramon R. del Rosario, Jr. (Chairman)

Mr. Oscar J. Hilado (Chairman Emeritus)
Dr. Magdaleno B. Albarracin, Jr.
Amb. Jose L. Cuisia, Jr.
Mr. Victor J. del Rosario
Dr. Meliton (Chito) B. Salazar, Jr.
Mr. Eduardo A. Sahagun
Mr. Edgar O. Chua (Independent)
Atty. Lilia B. de Lima (Independent)
Ms. Rizalina G. Mantaring (Independent)
Mr. Juan B. Santos (Independent)

Abigail C. Sy
Victor Co
Kian Chay Co
Nestor Luu
Lauro Sy
Jesus San Luis Valencia
Lim Sy
Rudolfo G. Alday
Valeriano Pedro O. Plantilla III
Nimfa R. Plantilla
Gerry Cano

Officers Present:

Name		Position
Roberto M. Laviña	-	Board Advisor
Pythagoras L. Brion, Jr.	-	Group Chief Finance Officer
Jose Mari R. del Rosario	-	Senior Vice President, Hospitality
Raphael B. Felix	-	Senior Vice President, Properties
Regina B. Alvarez	-	Senior Vice President, Group Controller
Nanette P. Villalobos	-	Vice President, Treasurer
Edmund Alan A. Qua Hiansen	-	Vice President, Deputy Group Chief Finance Officer
Annabelle S. Guzman	-	Vice President, Controller
Rolando D. Soliven	-	Vice President, Corporate Governance & Data Protection Officer
Peter Angelo V. Perfecto	-	Vice President, Public Affairs
Alejandro Diego Luis Giles R. Katigbak	-	Assistant Vice President, Chief Risk Officer
Troy A. Luna	-	Corporate Secretary
Ma. Concepcion Z. Sandoval	-	Assistant Corporate Secretary

Before the meeting formally started, the Vice President for Public Affairs, who acted as Moderator of the Meeting, Mr. Peter Angelo V. Perfecto, informed the stockholders that the Corporation’s 2022 Information Statement, as approved by the Securities and Exchange Commission (the “SEC”), and the 2022 Annual Report, which are considered part of the Meeting or matters relevant to the Meeting, could be accessed either by downloading them through the Corporation’s website or scanning the QR codes flashed on the screen. Stockholders also had the option of downloading the reports by typing on their mobile devices the URL provided beneath the QR codes. Mr. Perfecto noted that the meeting was being recorded as required by the SEC.

At exactly 10:00 a.m., the meeting began with an Invocation and the Philippine National Anthem. Thereafter, Mr. Perfecto introduced the Corporation's Chairman and Chief Executive Officer, Mr. Ramon R. del Rosario, Jr.

I. CALL TO ORDER

Mr. Del Rosario called the meeting to order and presided over the same. The Corporate Secretary, Atty. Troy A. Luna, recorded the minutes of the meeting.

The Chairman first introduced the members of the Board of Directors, the Corporate Secretary, the Group Chief Financial Officer, and the heads of the strategic business units for Education, Construction Materials, Hospitality, and Property Development.

The Chairman then acknowledged the presence of the Corporation's independent external auditors, Sycip Gorres Velayo & Corporation, led by Mr. Wilson P. Tan, as well as the Corporation's independent third-party stock transfer agent, Stock Transfer Service, Inc. ("STSI") represented by Mr. Joel S. Cortez.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Corporate Secretary certified that notices of the meeting were sent to all the stockholders of record of the Corporation.

Upon instruction of the Chairman, the Corporate Secretary then informed the stockholders of the rules for attendance and participation at the meeting and recited the following:

1. Stockholders may participate in-person or by remote communication in accordance with the procedure set forth in Annex "F" of the Information Statement posted on the Corporation's website.

2. Owners of shares constituting at least a majority of the issued and outstanding capital stock of the Corporation, present either in person, physically or remotely, or by proxy with the proxy attending physically or remotely, shall constitute a quorum for the transaction of business at this meeting.

3. All the items on the agenda for approval by the stockholders, except the election of directors and the proposed amendment of the Articles of Incorporation, will need the affirmative vote of stockholders owning at least majority of the shares of stock present or represented at the meeting.

4. Election of directors will be based on the number of votes cast by each stockholder present at the meeting in favor of nominees of his/her choice, with each stockholder being entitled to such number of votes equivalent to the number of shares owned by him/her multiplied by the number of seats to be filled up.

5. The approval of the proposed amendment of the Articles of Incorporation will require the affirmative vote of stockholders owning at least two-thirds of the total issued and outstanding capital stock of the Corporation.

6. The Committee of Inspectors and Proxies and Ballots will tabulate all votes cast and received, and an independent third party will validate the results.

7. Questions of stockholders attending remotely should have been emailed to the given email address (phncorpsec@phinma.com.ph) on or before 06 April 2023. These will be answered during the meeting or via email. Subject to the appropriateness, relevance, and time limits.

8. Stockholders attending the meeting physically may ask questions during the meeting, at the appropriate time based on the agenda of the meeting, and as determined by the Chairman.

The Corporate Secretary then confirmed that based on the tabulation of attendance, there were present or duly represented at the meeting, stockholders owning **75.69%** or 216,732,804 shares, out of the total issued and outstanding capital stock consisting of 286,325,265 shares.

III. MINUTES OF PREVIOUS MEETING

With legal notices sent and a quorum present, the Chairman proceeded to the reading and approval of the Minutes of the Annual Shareholders' Meeting held on 12 April 2022.

A motion was made to dispense with the reading of the Minutes of the Annual Meeting of Stockholders held on 12 April 2022 and for the approval thereof, which was thereafter seconded.

Shareholders owning a total of **216,732,804** shares or **100%** of the shares present or represented at the meeting, voted in favor of the resolution. The Chairman thus declared the motion carried and the Minutes of the Annual Meeting of Stockholders held on 12 April 2022 were approved.

IV. ANNUAL REPORT OF MANAGEMENT

The next item on the agenda was the presentation of the Annual Report and the Audited Financial Statements of the Corporation for the year ended 31 December 2022.

Management Report

The Chairman said that he was delighted to see the stockholders in person at the venue after years of pandemic lockdowns. He said that he was also happy to greet those joining the meeting remotely. He thanked everyone for marking another year of making lives better with the Corporation.

The Chairman said that, in 2022, they saw the world adjust to a better normal as it exits the coronavirus pandemic. The transition was littered with uncertainty and discomfort in trying to find ways to re-learn life as it was while retaining the lessons from years of the health crisis, yet, hope still shone through.

In the Philippines, leaders were elected who will be in office for the next 3 to 6 years. The results of the national elections will affect the direction of the country in ways that extend beyond their years in service. Despite the unpredictability of it all, there was hope.

There was a hope of building something better if there was a push forward collectively. The Chairman reiterated the call for the private sector to come together and persevere to create a society where no one is left behind. The time when businesses were fueled only by the goal of generating income and being the industry leader has passed. Businesses were called to create better value by providing products and services that uplift social well-being.

Although the Corporation took pride in its numbers that reflect its positive trajectory across different businesses, the Chairman decided to highlight the social impact of the Corporation and how it makes lives better. Through its various businesses, the Corporation strived to empower more families to access the essentials of a dignified life. Intentional investments were made by the Corporation to address inequity wherever it may find it.

Across the business units, the mission of the Corporation of making lives better remains the center of every venture. PHINMA aims to contribute to progress and sustainability. In the next few years, it had plans to expand its reach to more underserved families and communities. Outside of these business, the Corporation aimed to do good as well.

In 2022, the Corporation mobilized volunteers for the Annual Brigada Eskwela, the Department of Education's school improvement initiative, and the "1PHINMA REACHES OUT", which is the lineup of outreach activities that was organized by the Corporation to celebrate its anniversary. The Corporation welcomed 47 new scholars into the PHINMA National Scholarship (PNS) Program. In 2022, the PNS helped 150 scholars from 4 partner universities. As these scholars complete their tertiary education, they would add to PNS' growing list of alumni which is currently at 252.

In 2023, the Chairman announced that, after a three-year hiatus, the Ramon V. Del Rosario Siklab Awards will be revived to recognize young trailblazers who bring together sustainable entrepreneurship and nation-building efforts. Through these activities, the Corporation was able to make lives better by moving private capital toward social impact.

The Chairman then called the Corporation's President, Dr. Chito B. Salazar to continue the report. The Chairman also recognized the leadership of Dr. Salazar that has allowed the business units to continue to grow and expand.

Dr. Salazar first thanked the Chairman before proceeding with his report. He recalled that, in 2022, there were several challenges such as the disruption in supply chains, global uncertainty, high interest rates and inflation, increased food costs, and the depreciation of the US Dollar. In the face of these challenges, PHINMA proved that it was resilient as it demonstrated top-line growth and continued to make lives better for all its shareholders. With the outstanding team, the Corporation relied on its strengths and values like professionalism, commitment to the nation, integrity, and agility, to keep on providing families and communities the essentials of a dignified life.

In 2022, PHINMA Education welcomed 124,501 students and became the biggest education network in the Philippines. This meant that 124,501 young lives were empowered to reach their dreams and contribute to nation-building. He also highlighted that around 60% of these students were recipients of "Hawak Kamay" scholarships, which reduced their tuition fees up to 75%. The average licensure passing rate of the programs offered across the network was around 80% and the majority of the graduates were employed within a year after finishing school.

PHINMA Construction Materials Group (CMG), composed of Philcement, Union Galvateel, and PHINMA Solar, boosted infrastructure development in both private and public sectors in 2022. Despite the adverse effects of the Russia-Ukraine War on the supply chain and the cost of materials, CMG quickly adjusted its operations to cope with these challenges in order to maintain revenue growth and margins. With Union Galvasteel's expansion into Light Steel Frames and Insulated Panels, the Corporation was posed to serve even more of the country and the people's construction needs.

The PHINMA Properties Group continued to weave Filipino traditions into homes and communities that were sustainable. They received various awards including the "Best Boutique Developer" in the Philippines and in Luzon for its project called "PHINMA Maayo San Jose". This gave the Corporation confidence that it was in the right direction of developing award-winning projects for the Filipino family. Moving forward, the priority was to return to socialized housing and to serve Filipinos who need homes the most by providing decent and affordable housing.

The PHINMA Hospitality Group – through Coral Way City Hotel Corporation – was consistent in its mission of providing clean, comfortable, and secure lodging to leisure and business travelers. As international and domestic travel recover, the Corporation was confident that occupancy rates will return to pre-pandemic levels. As early as the Second Half of 2022, occupancy rates have begun to rise which promised a strong future. PHINMA Hospitality was expected to enter into new and exciting projects in the future to create even better value by leveraging synergies within the PHINMA Group.

(A detailed, descriptive, balanced and comprehensible assessment of the Corporation's performance, including information on any material change in the Corporation's business, strategy and other affairs were discussed and included in the Corporation's Annual Report, at pages 7-17, which the Moderator explained at the start of the meeting could be accessed through the Corporation's website or scanning the QR codes provided to the stockholders.)

Dr. Salazar thereafter called the Corporation's Chief Finance Officer, Mr. Pythagoras L. Brion, Jr., to report on the Corporation's 2022 Financial Results.

Financial Results

Before proceeding with the report, a short video presentation was played that featured the business operations highlights for 2022.

Mr. Brion then reported the highlights of the Corporation's financial performance for Fiscal Year 2022.

In 2022, Consolidated Revenues grew by 10% and amounted to P17.6 billion on account of the growth in revenues from the Education and Construction Materials Business.

The Total Net Income Attributable to Shareholders of the Corporation stood at P948 million, which was relatively lower than last year's P1.12 billion. The reasons behind the drop were: (1) the revenue period of the Education business was shorted from 11 months to 9 months as a result of the adjustment of the school year to pandemic restrictions; and (2) the narrow margins of CMG caused by the increase in costs of raw material and fuel as well as the strengthening of the US Dollar in the latter half of 2022.

Other associate companies also performed reasonably well in 2022. PHINMA Property generated an Income of P92 million on Revenues of P2.1 billion with a healthy gross margin of 49%. Coral Way City Hotel, and its subsidiary TRYP HOTEL, reported a Combined Revenue of P314 million and an EBITDA of P88 million. After Depreciation Charges, they reported a loss of only P14 million.

Altogether, the associate companies contributed a total of P58 million in Equitized Net Income to the Corporation for 2022.

Mr. Brion then showed a graph of the 5-year financial performance of the Corporation. He noted that the Education and Construction Materials businesses provided a higher level of predictable growth.

Between 2017 and 2021, and even in the midst of the pandemic, the Consolidated Revenues of the Corporation grew at a compounded annual growth of 20%. Revenues of the Education business doubled from P2.1 billion to P4.1 billion, which was in parallel to the growth in enrollment from 61,868 to 124,501 students. Revenues of the Construction Materials business grew more than three-fold from P4.2 billion in 2017 to P13.2 billion in 2022 due to the success of its cement processing business.

In 2021, the Attributable Income of the Corporation reached P1 billion. The higher level of income was expected to be sustained by the predictable performance of the Education business and the growth of the Construction Materials business.

Due to increased profitability, the Corporation declared higher dividends. On 05 April 2023, cash dividends amounting to P0.60/share were paid to the stockholders, compared to the regular cash dividends of only P0.40/share.

Mr. Brion expressed his optimism towards a better year ahead as the increase in costs moderated and the demand for business improved. Before ending his report, Mr. Brion thanked the stockholders and informed them that the 2022 Financial Report of the Corporation can be accessed and downloaded at its website.

(The Corporation's Audited Financial Statements were incorporated in the Definitive Information Statement, copies of which were uploaded in the Corporation's website and disclosed to the SEC and PSE, and also incorporated in the 2022 Annual Report of the Corporation, which could also be downloaded from the Corporation's website. In addition, as stated earlier by the Moderator, QR Codes of the Definitive Information Statement and Annual Report were provided to the Stockholders at the start of the meeting.)

(The following information were included in the Corporation's 2022 Annual Report and Information Statements:

- *a) the Minutes of the 2022 Annual Stockholders' Meeting [As disclosed in 2022 Definitive Information Statement - Annex "E"];*
- *b) the security ownership of the Corporation's stockholders, as well as security ownership of its directors and officers [As disclosed in 2022 Definitive Information Statement – ITEM 4. Voting Securities and Principal Holders Thereof, Page 19];*
- *c) a statement on the adequacy of the Corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;*
- *d) dividends declared and paid by the Corporation, as well as the Corporation's dividend policy [As disclosed in 2022 Definitive Information Statement – Annex D. Management Report – Market Registrant's Equity and Related Stockholders' Matters];*
- *e) the profiles of the Corporation's directors and officers, as well as the profiles of nominees to be elected to the Board of Directors. Their profiles include their qualifications, experience, length of service in the Corporation, educational background, and their board and committee membership in the Corporation and in other organizations, including other listed companies or government positions, if any (As disclosed in 2022 Definitive Information Statement – ITEM 5. Directors and Executive Officers, Page 22);*
- *f) the attendance report for the Corporation's directors, indicating their attendance at each Board meeting, committee meeting, and special or regular stockholder meetings (As disclosed in the 2022 Annual Report - Corporate Governance Report section, Page 29);*
- *g) the appraisal and performance reports for the member of the Board and the criteria and procedure for assessment (As disclosed in the 2022 Annual Report - Corporate Governance Report section, Page 31)*
- *h) a report on the annual compensation of each director, as well as the aggregate compensation of the President/Chief Executive Officer, and the Corporation's top four most highly compensated officers (As disclosed in 2022 Definitive Information Statement – ITEM 6. Compensation of Directors and Executive Officers, Page 33); and*
- *i) disclosures on related party transactions, including dealings with directors (As disclosed in 2022 Definitive Information Statement – ITEM 5. Directors and Executive Officers, Page 22).*

Following the reports of Management, the Chairman asked Mr. Perfecto to recite the questions that were received from the stockholders ahead of the meeting. The questions were answered by the officers of the Corporation as follows:

Question No. 1: Could you elaborate more on the sales division set up by UGC? Why are you optimistic about these product lines and how will these impact CMG's bottom line? How do you see margins in CMG moving forward?

In response, Mr. Eduardo A. Sahagun, Executive Vice President for Construction Materials, said that they decided to focus on Insulated Panels because not only did it address social issues such as food security, but it was also a key product that would take the cold chain industry to greater heights. To take advantage of the limited competition in the market, CMG planned to construct a facility with a one million (1,000,000) square meter capacity.

Question No. 2: Why is PHINMA Properties expanding into townships?

Mr. Raphael B. Felix, Senior Vice President for Properties, explained that they were targeting emerging and new-wave cities. It was therefore more practical to focus on more affordable market segments rather than the typical stand-alone housing projects that were usually done in Metro Manila and in other provinces.

Question No. 3: What is your view on the recovery of the tourism and hospitality sectors? How does PHINMA Hospitality plan to capitalize on the expected recovery?

The Senior Vice President for Hospitality, Mr. Jose Mari R. del Rosario, expressed his optimism caused by the resurgence of the tourism industry. As early as 2022, occupancy rates have returned to pre-pandemic levels. He explained, however, that the international tourism market had only begun recovering. As a result, they have been closely partnering with PHINMA Properties to prepare and construct the necessary buildings and facilities to meet the expected surge in demand.

Question No. 4: What were the key drivers for the strong enrollment growth achieved by PHINMA Education in the past few years and what do you expect enrollment growth to be in the coming school year?

Mr. Christopher Tan, the Philippine Country Head of PHINMA Education Holdings, Inc., identified three factors that caused the growth in enrollment: (1) other private educational institutions have not taken advantage of the existing market failure in the Philippine education system – the lack of high quality but low-cost education; (2) Tuition fees and other charges were aggressively lowered at a minimal rate; and (3) Optimization of market share against competition at a program-level.

There being no other questions, a motion was made for the approval of the Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2022, and was thereafter seconded.

Shareholders owning a total of **216,732,804** shares or **100%** of the shares present or represented at the meeting, voted in favor of the resolution. The Chairman thus declared the motion carried and the Audited Financial Statements and the notes thereto were approved.

V. <u>RATIFICATION OF ALL ACTS OF THE BOARD, COMMITTEES, AND MANAGEMENT SINCE THE LAST SHAREHOLDERS' MEETING</u>

The Chairman proceeded to the ratification of all acts of the Board of Directors, Committees, and Management since the last meeting of stockholders.

On motion duly made and seconded, and with the affirmative vote of shareholders owning a total of **216,732,804** shares or **100%** of shares present or represented at the meeting, the Chairman declared the motion carried and all acts of the Board of Directors, the Executive Committee, and other committees and/or officers of the Corporation during the past fiscal year were confirmed, approved, and ratified.

VI. <u>ELECTION OF DIRECTORS</u>

The next item on the agenda was the election of directors for the next fiscal year.

Upon request of the Chairman, the Corporate Secretary informed the stockholders that the Nominations Committee had pre-screened and shortlisted the nominees qualified to be Directors of the Corporation for Fiscal Year 2023-2024. The eleven (11) nominees for the eleven (11) seats on the Corporation's Board of Directors were:

1. Mr. Oscar J. Hilado
2. Mr. Ramon R. del Rosario, Jr.
3. Dr. Magdaleno B. Albarracin, Jr.
4. Amb. Jose L. Cuisia, Jr.
5. Mr. Victor J. del Rosario
6. Dr. Meliton (Chito) B. Salazar, Jr.
7. Mr. Eduardo A. Sahagun
8. Mr. Edgar O. Chua (Independent Director)
9. Mr. Juan B. Santos (Independent Director)
10. Atty. Lilia B. de Lima (Independent Director)
11. Ms. Rizalina G. Mantaring (Independent Director)

(The profiles of the nominees to the Board of Directors were part of the Definitive Information Statement uploaded onto the Corporation's website and distributed to the stockholders through disclosures to the SEC and PSE. In addition, as stated earlier by the Moderator, the QR Code of the Definitive Information Statement was provided to the Stockholders at the start of the meeting.)

Considering that there were only eleven (11) nominees to fill eleven (11) seats in the Board, and there being no objection to the distribution of the said votes equally among the said nominees, **216,732,804** votes were cast for each nominee, equivalent to **100%** of the total outstanding shares of the Corporation present or represented at the Meeting. The said nominees were therefore declared as the duly elected members of the Board of Directors for the ensuing year, and until their successors are duly elected and qualified.

VII. AMENDMENT OF ARTICLES OF INCORPORATION AND BY-LAWS

The next item on the agenda was the amendment of the articles of incorporation and the by-laws of the Corporation. Upon request of the Chairman, the Corporate Secretary informed the stockholders that, at its earlier meeting, the Board of Directors approved and resolved to increase the number of Directors of the Corporation from eleven (11) to fifteen (15) and the corresponding amendment of the Corporation's articles of incorporation and by-laws, with the by-laws being amended to remove the number of directors stated therein and simply making reference to such number in the articles of incorporation.

The Corporate Secretary then presented the resolution for approval by the stockholders, which was likewise shown on the screen as follows:

> "***RESOLVED**, that the resolutions and recommendation of the Board of Directors of the Corporation issued and approved at its meeting earlier held, to:*
>
> *a) Increase the number of Directors from eleven (11) Directors to fifteen (15) Directors, and*
>
> *b) amend the Articles of Incorporation and By-laws of the Corporation accordingly,*
>
> *be, as they are hereby, approved, confirmed, and ratified".*

A motion was duly made and seconded to approve the resolution as read by the Corporate Secretary. Shareholders owning a total **216,732,804** shares or **100%** of shares present or represented at the meeting, voted in favor of the resolution. The resolution, as read by the Corporate Secretary, was therefore approved.

VIII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman announced that the next item on agenda was the appointment of the Corporation's external auditor for the ensuing fiscal year. The Chairman said that the Audit Committee and the Board of Directors have selected and recommended the appointment of Sycip Gorres Velayo & Co. as the external auditor of the Corporation.

A motion was made to appoint Sycip Gorres Velayo & Co. as the Corporation's external auditor for the year 2023 and until its successor was duly appointed and was thereafter seconded.

Shareholders owning a total of **216,732,804** shares or **100%** of the shares present or represented at the meeting, voted in favor thereof. The Chairman thus declared the motion carried and Sycip, Gorres Velayo & Corporation was appointed as the external auditor of the Corporation for the ensuing year and until its successor was duly appointed.

IX. OTHER MATTERS AND ADJOURNMENT

The Chairman informed the stockholders that they may still email their questions or comments within one (1) week from the meeting. The Corporation shall answer all questions relevant to the meeting and the matters taken up.

Before the Chairman adjourned the meeting, he expressed his sincerest gratitude to the Directors, Officers, and Management for their hard work and determination in expanding the business further. Their wisdom has steered the Corporation toward growth while meeting the changing needs of underserved families across the country.

He also thanked the shareholders, bankers, investors, employees, customers, and friends from the media whom he considers valuable partners of the Corporation in making lives better. With their continued support, the Corporation would reach even greater heights as it provides goods and services that are essential to the nation's development. A video presentation highlighting the achievements of the Corporation and its plans for the future

There being no other business to discuss, the Chairman declared the meeting adjourned.

TROY A. LUNA
Corporate Secretary

ATTEST:

RAMON R. DEL ROSARIO, JR.
Chairman

ANNEX F

Various Resolutions

Summary of Significant Resolutions Approved by the Board of Directors since the Last Annual Meeting of the Shareholders (March 3 to December 13, 2023) FOR RATIFICATION BY THE STOCKHOLDERS

Regular Meeting of the Board of Directors
March 3, 2023

- Approval of the Corporation's audited financial statements as of and for the year ended 31 December 2022.

- Declaration of a cash dividend in the amount of Php 0.60 per share to all stockholders of record as of 22 March 2023.

- Approval of the reversal of previous appropriations and appropriation of retained earnings amounting to Php1.1 billion for investment in Construction Materials and Php500 million for investment in PHINMA Properties, until December 31, 2024.

- Approval of the amendment of the Articles of Incorporation and By-laws to increase number of board seats from 11 to 15.

- Endorsement of Sycip Gorres Velayo & Co. as the external auditor for the year 2023, upon recommendation of the Audit and Related Party Transactions Committee.

- Nomination for election as Directors for the ensuring year the current eleven members of the Board, as endorsed by the Corporate Governance and Nominations Committee.

- Scheduling of the Annual Shareholders Meeting (ASM) for April 11, 2023 at 10:00 am at The Fifth at Rockwell and approval of the agenda for the ASM

- Appointment of Deputy Group Chief Financial Officer

- Approval to sign up for a Group Accident Insurance under STARR INSURANCE

- Designation of officers to sign, execute and deliver such agreements necessary to carry out IT related projects

- Designation of officers to sign, execute and deliver such agreements necessary to carry out the Company's SIM registration

Organizational Meeting of the Board of Directors
April 11, 2023

- Appointment of newly elected board members:

  1. Mr. Oscar J. Hilado
  2. Mr. Ramon R. del Rosario,Jr.
  3. Dr. Magdaleno B. Albarracin,Jr.
  4. Ambassador Jose L. Cuisia, Jr.
  5. Mr. Victor J. del Rosario

6. Dr. Meliton B. Salazar,Jr.
7. Mr. Eduardo A.Sahagun
8. Mr. Edgar O. Chua - Independent
9. Mr. Juan B.Santos - Independent
10. Atty. Lilia B. de Lima - Independent
11. Ms. Rizalina G. Mantaring - Independent

- Appointment of the following as officers of the Corporation with positions across their respective names for the ensuing year and until their successors are elected/appointed:

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman and CEO
Magdaleno B. Albarracin, Jr.	Vice Chairman
Roberto M. Lavina	Board Advisor
Meliton B. Salazar, Jr.	President and COO – Head of Education
Eduardo A. Sahagun	Executive Vice President – Construction Materials
Jose Mari R. del Rosario	Senior Vice President, Hospitality
Raphael B. Felix	Senior Vice President, Properties
Pythagoras L. Brion, Jr.	Group CFO
Regina B. Alvarez	Senior Vice President, Group Controller
Edmund Alan A. Qua Hiansen	Vice President, Deputy Group CFO
Nanette P. Villalobos	Vice President, Treasurer
Annabelle S. Guzman	Vice President, Controller
Rolando D. Soliven	Vice President, Corporate Governance
Peter Angelo V. Perfecto	Vice President, Public Affairs
Ma. Gracia M. Purisima	Assistant Treasurer
Giles R. Katigbak	Assistant Vice President, Chief Risk Officer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

- Constitution and re-establishment of the following Committees with the following members and chairs thereof:

Executive Committee

Oscar J. Hilado	Chairman
Ramon R. del Rosario, Jr.	Member
Magdaleno B. Albarracin, Jr.	Member
Jose L. Cuisia, Jr.	Member (Non-executive Director)
Meliton B. Salazar, Jr.	Member
Juan B. Santos	Member (Independent Director)

Audit and Related Party Transactions Committee

Juan B. Santos	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)
Jose L. Cuisia, Jr.	Member (Non-executive Director)

Risk Oversight Committee

Rizalina G. Mantaring	Chairman (Independent Director)
Edgar O. Chua	Member (Independent Director)
Lilia B. de Lima	Member (Independent Director)
Magdaleno B. Albarracin, Jr.	Member

Corporate Governance Committee

Lilia B. de Lima	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)

Nominations Committee

Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member (Non-executive Director)

Compensation Committee

Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member (Non-executive Director)

- Appointment of Lead Independent Director

Regular Meeting of the Board of Directors
May 11, 2023

- Approval of the financial reports and results of operations for the first quarter of 2023
- Approval of the signing and execution of the Deed of Absolute Sale for the purchase of PHINMA Inc. assets
- Approval of the availment of Php 1.0 billion loan
- Approval of the operating budget for calendar year 2023
- Approval of the proposed capital expenditures for calendar year 2023
- Approval of opening a credit line with Cardinal Santos Medical Center
- Approval to transact with Interpharma Solutions Philippines, Inc. (ISPI) for the purchase of flu vaccines
- Approval of annual renewal of bank items
- Approval of a Stock Grant Plan covering senior officers of the Company and business unit heads of its subsidiaries and affiliates, with shares of the Company to be issued upon the achievement of long-term objectives by December 31, 2025.

- Approval of the grant of a one-month ex-gratia bonus to employees

Regular Meeting of the Board of Directors
August 08, 2023

- Approval of the Financial Reports and Results of Operations for the first half of 2023

- Approval of the acquisition of Red Planet Hotels Manila Corporation, subject to the results of the due diligence examination and provided that the lease agreement will be extended up to 19 years.

- Approval for the incorporation of a new Hospitality Management Company, as presented to the Board.

- Approval for the investment of Php 114 million in Philcement Corporation

- Approval for the investment of up to Php 170 million in Union Galvasteel

- Approval to appoint Isla Lipana & Co./PwC Philippines as the external auditor of the Corporation for the year 2024.

- Approval of the Annual Corporate Governance Training for 2023

- Approval to avail of the Corporate Offerings of BDO and RCBS for the Employees' loan program

- Approval of the proposed salary increases of officers and employees as presented

Regular Meeting of the Board of Directors
November 10, 2023

- Approval of the Financial Reports and Results of Operations for the nine-month period ended September 30, 2023

- Approval of the Consent Solicitation activity of PHINMA Corporation to request amendment of Debt-to-Equity Ratio definition from the Bondholders

- Approval to file a petition for correction of the Corporation's Amended Articles of Incorporation to correct the number of shares and amount subscribed by the original stockholders of the Corporation and other information

- Approval to increase Group Directors and Officers Liability Insurance coverage under AIG

Regular Meeting of the Board of Directors
December 13, 2023

- Approval of the Revised Formula for Variable Compensation Pay, as presented

- Approval of the proposed 2024 budget for capital expenditures

- Approval of the Company’s budget for calendar year 2024

- Approval to accelerate the investment in Bacolod Township project

- Approval to sell club shares in Manila Polo Club, Alabang Country Club, Inc. and Metropolitan Club, Inc.

- Approval to apply for a building permit/fencing permit for the property in San Fernando, La Union

- Approval to transact and deal with relevant government agencies and institutions for the operation of the Corporation and designation of authorized representatives