REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City of Pasay, Metro Manila

COMPANY REG. NO. 39274

# CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the amended articles of incorporation of the

## AC ENERGY CORPORATION
(Amending Article VII thereof)

copy annexed, adopted on March 18, 2020 & March 18, 2021 by a majority vote of the Board of Directors and April 20, 2020 & April 19, 2021 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Assistant Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 7th day of June, Twenty Twenty One.

GERARDO F. DEL ROSARIO
Director
Company Registration and Monitoring Department

AO/ioo

**AMENDED ARTICLES OF INCORPORATION**
**OF**
**AC ENERGY CORPORATION**
(formerly AC Energy Philippines, Inc.)

*(As amended during the meeting of the Board of Directors held on 18 March 2020 and approved during the Annual Stockholders' Meeting held on 20 April 2020)*

**KNOW ALL MEN BY THESE PRESENTS:**

That we, all of legal age, citizens and a majority of whom are residents of the Philippines, have voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines;

**THAT WE HEREBY CERTIFY:**

**FIRST:** The name of said corporation shall be AC Energy Corporation, hereinafter called the Corporation. *(As amended during the meeting of the Board of Directors held on 18 March 2020 and approved during the Annual Stockholders' Meeting held on 20 April 2020)*

**SECOND:** That the purposes for which said Corporation is formed are:

**PRIMARY PURPOSE**

To prospect for, explore, mine, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rock or carbon oils, natural gas and other volatile materials, including geothermal steam, coal, chemical substances and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to store, hold, use, experiment with, treat reduce, distill manufacture, smelt, refine, blend, package, prepare for market, buy, sell, distribute, exchange, import, export, and transport, convert energy and generate electric power and otherwise deal in petroleum, fuel minerals and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds, and derivatives and other minerals and chemical substances, in crude or refined condition, and to engage generally, as may be permitted by law, in the business of, and/or investing in, mining, manufacturing, contracting, electric power generation and distribution, and servicing, in addition to oil exploration within the Philippines and in other countries.

**SECONDARY PURPOSE**

And in furtherance of and as may be incident to the foregoing purposes, the Corporation shall have the power:

(a) To acquire petroleum, gas, and oil lands, leaseholds, franchises, privileges, concessions and other interest in gas, oil and other rights;

(b) To construct and maintain conduits, pipelines, and lines of tubing for the public generally as for the use of said Corporation, and to lay, rig, buy, lease, sell, and otherwise contract for, and operate said conduits, pipelines and lines of tubing, as well as storage tanks, railways, tramways, roadways and trucks, for the purpose of transporting and storing oil and gas, and operating a general pipelines and storage business;

(c) To buy, sell, charter and maintain tank steamer and other vessels of all kinds for the transportation of merchandise dealt in by the Corporation;

(d) To purchase or otherwise acquire, assemble, install, construct, equip, repair, remodel, maintain, operate, hold, own lease, rent, mortgage, charge, sell, convey or otherwise dispose of, any and all kinds of refineries, as works, mill, factories, installations, plants, shops laboratories, electrical works, power plants, warehouses, terminals, office buildings and other buildings and structures, roads, railroad, cars, railroad equipment, garages, motor and road equipment, aircraft and aircraft equipment, aviation fields, telephone and telegraph lines, transmission lines, wireless facilities, water works, reservoir, dams canals, waterways, bridge, ports, docks, piers, wharves, marine equipment, and any and all kinds of machinery, apparatus, instruments, fixtures and appliances;

(e) To acquire by purchase lease, contract concession or otherwise any and all real estate, lands, land patents, options, grants, concessions, franchises, water, timber and other rights, privileges, easements, estates, interest and properties of every kind and description whatsoever which the Corporation may deem necessary or appropriate in connection with the conduct of any business enumerated in these Articles of Incorporation, or of any other business in which the Corporation may lawfully engage, and to won, hold, operate, improve, develop, reorganize, manage, grant, lease, sell, exchange or otherwise dispose of all the whole or any part thereof;

(f) To manufacture, purchase, or otherwise, and to hold, own, invest, trade and deal in, mortgage, pledge, charge, assign, sell exchange, transfer or otherwise dispose of goods, wares, merchandise and personal property of every class and description and to transport the same in manner;

(g) To purchase, drill for or otherwise acquire and to use, store, transport, distribute, sell or otherwise dispose of, water; and to acquire by purchase, lease, or otherwise and to erect, construct, enlarge, own, hold, maintain, use and operate water works and water systems for supplying water and water power for any and uses and purposes;

(h) To purchase, create, generate or otherwise acquire, use, sell, supply or otherwise dispose of, electric current and electric steam and water power of every kind and description, and to sell, supply or otherwise dispose of, light, heat and power of every kind and description;

(i) To enter into, make and perform contracts and arrangement of every kind and description for any lawful purposes with any person, firm, association, corporation, municipality, body politic, country, territory, province, state, government or colony or dependency thereof, without limit as to amount, and to obtain from any government or authority any rights, privileges, contracts and concessions which the Corporation may deem desirable to obtain and to carry out, exercise or comply with any such contracts, arrangements, rights, privileges and concessions;

(j) To acquire and take over all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of the liabilities and obligations of any person, firm, association or corporation carrying on a business which the Corporation is or may become authorized to carry on, or possessed of property suitable for the purpose of the Corporation and to pay for the same in cash or in stock, bonds, or securities of the Corporation, or otherwise, and to hold, manage, operate, conduct and dispose of in any manner the whole or any part of any such acquisitions, and to exercise all the powers necessary or convenient in and about the conduct and management thereof;

(k) To apply for, obtain, register, purchase, lease or otherwise acquire and to hold, own, use, exercise, develop, operate and introduce, and to sell, assign, grant licenses or territorial rights in respect of, or otherwise to turn to account or dispose of any copyrights, trademarks, brand, labels, patents or inventions, improvement, or processes used in connection with or secured under the letters patent of any country, government or authority, or otherwise, in relation to any of the purposes herein stated; and to acquire, use, exercise, or otherwise turn to gain licenses or rights in respect of any such copyrights, trademarks, tradenames, brands, labels, patents, inventions improvements, processes and the like;

(l) Insofar as may be permitted by law, to acquire by purchase, exchange or otherwise, and to own, hold for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge or otherwise dispose of shares of capital stock of, and any bonds, mortgages, securities and evidences of indebtedness of or other obligations issued or created by, any corporation or corporations organized under the laws of any state, country, nation or government, and while the holder or owner thereof, to exercise all the rights, powers and privileges of ownership, and to issue in exchange therefor shares of the capital stock, bonds or other obligations of the Corporation or to make payment therefore by any other lawful means whatsoever;

(m) To aid by loan, guaranty, subsidy or in any other manner whatsoever, insofar as may be permitted by law, any corporation or association, any shares or voting trust certificates for shares or bonds, other securities or evidences of indebtedness of which shall be held by or for the Corporation or in which, or in the welfare of which, the Corporation shall have any interest to do any act or things designated to protect, preserve, improve or enhance the value of any such shares, voting trust certificates, bonds or other securities or evidences of indebtedness or the property of the Corporation; and in connection with any such purposes to guarantee or become surety for the performance of any obligation or undertaking of such corporation or association and to do any and all such other acts or things as may be designated to accomplish any such purpose;

(n) To borrow or raise money for any of the purposes of the Corporation, and from time to time without limit as to amount, to draw, make, accept, endorse, discount, transfer, assign execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferrable instruments and evidences of indebtedness, and for the purpose of securing any of its obligations or contracts to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of the property or assets at any time held or owned by the Corporation on such terms and conditions as the Board of Directors of the Corporation shall authorize and as may be permitted by law; and to see or otherwise dispose of any bonds, debentures, or other obligations of the Corporation for its corporate purposes;

(o) To purchase, hold, sell, exchange, reissue, transfer or otherwise deal in shares of its own capital stock, in its own bond or other obligations from time to time to such extent and in such manner and upon such terms as its Board of Directors shall determine, provided that the Corporation shall not use any of its funds or properties of the purchase of its own shares of stock when such use would cause any impairment of the capital of the Corporation;

(p) To exercise all or any of its corporate powers, rights and privileges and to conduct its business in all or any of its ranches in any part of the world, and for its purpose to have and maintain and to discontinue such number of offices and agencies therein as may be convenient;

(q) To do all such other things as are incidental or conducive to the attainment of the above objects or any of them, or which may be conveniently carried on and done in connection therewith, or which be calculated directly or indirectly to enhance the value of, or render profitable any business or property of the Corporation, always provided that nothing shall be done in connection with any of the above objects which is prohibited by any laws of the Philippines now or hereafter existing; and

(r) Without in any particular limiting the powers and provided that the Corporation shall have the power to make and perform contracts of any kind and description with person, firm or corporation, whether public or private, without limit as to amount, and particularly but not by way of limitation, to make and perform contracts creating rights, easements and other privileges respecting any of the property, real or personal or any kind owned by the Corporation; to have one or more offices out of the Philippines, or in any other country; and in carrying on its business and for the purpose of attaining or furthering its purpose or powers to do any and all other things which a natural person could do and exercise and which now hereafter may be authorized by law.

The foregoing clause shall be construed both as objects and powers of the Corporation, and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the general powers of the Corporation.

**THIRD:** That the place where the principal office of the corporation is to be established or located is at 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, Philippines. The Corporation may establish and maintain branch offices or agencies elsewhere in the Philippines or in foreign counties whenever warranted by exigencies of its business. *(As amended during the meeting of the Board of Directors held on 23 July 2019 and approved during the Annual Shareholders Meeting held on 17 September 2019).*

**FOURTH:** That the term for which the corporation is to exist is fifty (50) years from and after the date of issuance of the Certificate of Incorporation. Thereafter, the term shall be extended for another fifty (50) years from and after September 7, 2019. *(As amended during the meeting of the Board of Directors held on 25 January 2016 and approved during the Annual Shareholders Meeting held on 12 April 2016.*

**FIFTH:** That the names, citizenships and residences of the incorporators of said Corporation are as follows:

| NAMES | CITIZENSHIP | RESIDENCE |
|---|---|---|
| Filemon C. Rodriguez | Filipino | [redacted] |
| Ramon V. Del Rosario | Filipino | |
| William K. Whitefold | Filipino | |
| Burch E. Zehner | Filipino | |
| Ernesto O. Escaler | Filipino | |
| Vicente B. Fernandez | Filipino | |
| Cesar C. Zalamea | Filipino | |
| Miguel A. Magsaysay | Filipino | |
| Mariano U. Godinez | Filipino | |
| Raymundo O. Feliciano | Filipino | |

**SIXTH:** That the number of directors of said corporation shall be eleven (11) and that the names and residences of the first directors who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows:

| NAMES | | RESIDENCE |
|---|---|---|
| 1 | Filemon C. Rodriguez | [redacted] |
| 2 | Ramon V. Del Rosario | |
| 3 | William K. Whitefold | |
| 4 | Burch E. Zehner | |
| 5 | Ernesto O. Escaler | |
| 6 | Vicente B. Fernandez | |
| 7 | Cesar C. Zalamea | |
| 8 | Miguel A. Magsaysay | |
| 9 | Mariano U. Godinez | |
| 10 | Raymundo O. Feliciano | |

**SEVENTH:** That the authorized capital stock of said Corporation is **FORTY-EIGHT BILLION FOUR HUNDRED MILLION PESOS (P48,400,000,000.00) Philippine Currency, and said capital stock is divided into FORTY-EIGHT BILLION FOUR HUNDRED MILLION (48,400,000,000.00)** shares with a par value of One Pesos (P1.00) per share. *(As amended during the meeting of the Board of Directors and approved during the Annual Stockholders' Meeting held on 18 March 2020 and 20 April 2020, respectively, and confirmed during the meeting of the Board of Directors and approved during the Annual Stockholders' Meeting held on 18 March 2021 and 19 April 2021, respectively.)*

That no holder of the capital stock, whether said stock is now or hereafter authorized, shall have any right, as such stockholder, to purchase or subscribe to additional shares of the capital stock which are now or hereafter authorized by the Corporation, if the issue of the said additional stock not to exceed Thirty-Five percent (35%) of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation as determined by resolutions of the Board of Directors.

That existing stockholders shall have no pre-emptive right in relation to shares issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt provided however, that shares to be issued for this purpose shall not exceed **twenty-four (24) billion shares**. *(As amended during the meeting of the Board of Directors held on 18 March 2021 and approved during the Annual Stockholders' Meeting held on 19 April 2021.)*

**EIGHT:** That the amount of said capital stock which has been actually subscribed is FOUR MILLION PESOS (P4,000,000.00) and the following persons have subscribed for the number of shares and the amount of capital stock indicated opposite their respective names:

| NAMES | RESIDENCE | NO. OF SHARES SUBSCRIBED | CAPITAL STOCK SUBSCRIBED |
|---|---|---|---|
| Filemon C. Rodriguez | [redacted] | 40,000,000 | ₱400,000,000.00 |
| Ramon V. Del Rosario | | 40,000,000 | ₱400,000,000.00 |
| William K. Whitefold | | 40,000,000 | ₱400,000,000.00 |
| Burch E. Zehner | | 40,000,000 | ₱400,000,000.00 |
| Ernesto O. Escaler | | 40,000,000 | ₱400,000,000.00 |
| Vicente B. Fernandez | | 40,000,000 | ₱400,000,000.00 |
| Cesar C. Zalamea | | 40,000,000 | ₱400,000,000.00 |
| Miguel A. Magsaysay | | 40,000,000 | ₱400,000,000.00 |
| Mariano U. Godinez | | 40,000,000 | ₱400,000,000.00 |
| Raymundo O. Feliciano | | 40,000,000 | ₱400,000,000.00 |
| TOTAL | | 400,000,000 | ₱4,000,000,000.00 |

**NINTH:** That the following persons have paid on the shares of capital stock for which they have subscribed, the amount set out after their respective names:

| NAMES | CITIZENSHIP | AMOUNT PAID ON SUBSCRIPTION |
|---|---|---|
| Filemon C. Rodriguez | Filipino | ₱100,000.00 |
| Ramon V. Del Rosario | Filipino | ₱100,000.00 |
| William K. Whitefold | Filipino | ₱100,000.00 |
| Burch E. Zehner | Filipino | ₱100,000.00 |
| Ernesto O. Escaler | Filipino | ₱100,000.00 |
| Vicente B. Fernandez | Filipino | ₱100,000.00 |
| Cesar C. Zalamea | Filipino | ₱100,000.00 |
| Miguel A. Magsaysay | Filipino | ₱100,000.00 |
| Mariano U. Godinez | Filipino | ₱100,000.00 |
| Raymundo O. Feliciano | Filipino | ₱100,000.00 |

| | |
|---|---|
| TOTAL | ₱1,000,000.00 |

**TENTH:** That Mr. Raymundo O. Feliciano has been duly elected by the subscribers as Treasurer of the Corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws, and that as such Treasurer, he has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

**ELEVENTH:** That no transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the percentage of the capital stock required by law shall be allowed or permitted to be recorded in the proper books and this restriction shall also be indicated in all stock certificates.

**IN WITNESS WHEREOF,** we have hereunto set our hands this 22nd day of August 1969 at Manila Philippines.

(SGD.) FILEMON C. RODRIGUEZ

(SGD.) RAMON V. DEL ROSARIO

(SGD). WILLIAM K. WHITEFOLD

(SGD). BURCH E. ZEHNER

(SGD). ERNESTO O. ESCALER

(SGD). VICENTE B. FERNANDEZ

(SGD.) CESAR C. ZALAMEA

(SGD.) MIGUEL A. MAGSAYSAY

(SGD.) MARIANO U. GODINEZ

(SGD.) RAYMUNDO O. FELICIANO

SIGNED IN THE PRESENCE OF:

(SGD.) ILLEGIBLE

(SGD.) ILLEGIBLE

**REPUBLIC OF THE PHILIPPINES)**
**CITY OF MANILA ) S.S.**

**BEFORE ME,** a Notary Public for and in the City of Manila, Philippines came and personally appeared:

FILEMON C. RODRIGUEZ, [redacted]

RAMON V. DEL ROSARIO [redacted]

WILLIAM K. WHITEFORD, [redacted]

BURCH E. ZEHNER, with [redacted]

ERNESTO O. ESCALER, [redacted]

VICENTE B. FERNANDEZ, [redacted]

CESAR C. ZALAMEA, [redacted]

MIGUEL A. MAGSAYSAY, [redacted]

MARIANO U. GODINEZ, with [redacted]

RAYMUNDO O. FELICIANO, with [redacted]

All known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND NOTARIAL SEAL at Manila, Philippines, this 4th day of September 1969

Doc. No. 422;
Page No. 86;
Book No. I;
Series of 1969

(SGD.) J. NICOLAS, JR.
Notary Public
Until December 31, 1970

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY ) SS.

## SECRETARY'S CERTIFICATE

I, **DODJIE D. LAGAZO**, Filipino, of legal age, with office address at the 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the duly elected and incumbent Assistant Corporate Secretary of **AC ENERGY CORPORATION** (formerly, AC Energy Philippines, Inc, the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of Philippines with principal address at the 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City.

2. To the best of my knowledge and based on records of the Corporation, no action or proceeding has been filed or is pending before any court or tribunal involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation in their capacity as such directors and officers of the Corporation, or vice versa.

**IN WITNESS WHEREOF**, I have signed this Certificate this APR 2 6 2021 in Makati City.

**DODJIE D. LAGAZO**
*Assistant Corporate Secretary*
TIN: 228-446-337

**SUBSCRIBED AND SWORN** to before me this APR 2 6 2021 in Makati City, affiant exhibiting to me as competent evidence of identity his [redacted]

Doc. No.: 12;
Page No.: 4;
Book No.: IV;
Series of 2021.

ATTY. MARK DEAN D.R. ITARALDE
NOTARY PUBLIC
ROLL NO. 71073
MAKATI CITY, PHILIPPINES

ATTY. MARK DEAN D.R. ITARALDE
Notary Public – Makati City
Appt. No. M-163 until December 31, 2021
Roll of Attorneys No. 71073
IBP OR No.144650; January 7, 2021
PTR No. MKT-8534431; 01/05/2021, Makati City
MCLE Compliance No. VI-0028680; valid until 04/14/2022
7727 E. Jacinto cor. Medina St.
Barangay Pio Del Pilar, Makati City

NUMBER

001

INCORPORATED UNDER THE LAWS OF
THE REPUBLIC OF THE PHILIPPINES

REDEEMABLE
PREFERRED
SHARES

**15,030,279,000**

# AC ENERGY INTERNATIONAL, INC.

(Formerly Presage Corporation)

This Certifies that **AC ENERGY AND INFRASTRUCTURE CORPORATION** is the owner of **FIFTEEN BILLION THIRTY MILLION TWO HUNDRED SEVENTY NINE THOUSAND** Shares of the Capital Stock of

AC ENERGY INTERNATIONAL, INC.
(Formerly Presage Corporation)

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this 7th day of DECEMBER A.D. 2020

AC ENERGY INTERNATIONAL, INC. INCORPORATED 13 APRIL 2017

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE ₱1.00 Each.

TROJAN 118

Certified True Copy

DODJIE D. LAGAZO
Corporate Secretary

NUMBER 002

INCORPORATED UNDER THE LAWS OF
THE REPUBLIC OF THE PHILIPPINES

COMMON SHARES **1,701,284,340**

# AC ENERGY INTERNATIONAL, INC.

(Formerly Presage Corporation)

This Certifies that **AC ENERGY AND INFRASTRUCTURE CORPORATION** *is the owner of* **ONE BILLION SEVEN HUNDRED ONE MILLION TWO HUNDRED EIGHTY FOUR THOUSAND THREE HUNDRED FORTY** *Shares of the Capital Stock of*

**AC ENERGY INTERNATIONAL, INC.**
(Formerly Presage Corporation)

*transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.*

*In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this* 7th *day of* DECEMBER *A.D.* 2020

AC ENERGY INTERNATIONAL, INC. INCORPORATED 13 APRIL 2107

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE ₱1.00 Each.

TROJAN 118

Certified True Copy

DODJIE D. LAGAZO
Corporate Secretary

INCORPORATED UNDER THE LAWS OF THE REPUBLIC OF THE PHILIPPINES

NUMBER 003

COMMON SHARES **1**

# AC ENERGY INTERNATIONAL, INC.

(Formerly Presage Corporation)

This Certifies that **JOSE TEODORO K. LIMCAOCO** is the owner of **ONE** Shares of the Capital Stock of AC ENERGY INTERNATIONAL, INC. (Formerly Presage Corporation) transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

AC ENERGY INTERNATIONAL, INC. INCORPORATED 05 APRIL 2007

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this 7th day of DECEMBER A.D. 2020

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE ₱1.00 Each.

TROJAN 118

Certified True Copy

DODJIE D. LAGAZO
Corporate Secretary

INCORPORATED UNDER THE LAWS OF THE REPUBLIC OF THE PHILIPPINES

NUMBER 004

COMMON SHARES **1**

# AC ENERGY INTERNATIONAL, INC.
(Formerly Presage Corporation)

This Certifies that **PAOLO MAXIMO F. BORROMEO** *is the owner of* **ONE** *Shares of the Capital Stock of*

**AC ENERGY INTERNATIONAL, INC.**
(Formerly Presage Corporation)

*transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.*

AC ENERGY INTERNATIONAL, INC. INCORPORATED 13 APRIL 2017

*In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this* 7th *day of* DECEMBER *A.D.* 2020

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE P1.00 Each.

TROJAN 118

Certified True Copy

DODJIE D. LAGAZO
Corporate Secretary

NUMBER 005

INCORPORATED UNDER THE LAWS OF THE REPUBLIC OF THE PHILIPPINES

COMMON SHARES **1**

# AC ENERGY INTERNATIONAL, INC.
(Formerly Presage Corporation)

This Certifies that **JOHN ERIC T. FRANCIA** is the owner of **ONE** Shares of the Capital Stock of

AC ENERGY INTERNATIONAL, INC.
(Formerly Presage Corporation)

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

AC ENERGY INTERNATIONAL, INC. INCORPORATED 13 APRIL 2017

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this 7th day of DECEMBER A.D. 2020

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE ₱1.00 Each.

TROJAN 118

Certified True Copy
DODJIE D. LAGAZO
Corporate Secretary

NUMBER

006

INCORPORATED UNDER THE LAWS OF
THE REPUBLIC OF THE PHILIPPINES

COMMON
SHARES

**1**

# AC ENERGY INTERNATIONAL, INC.

(Formerly Presage Corporation)

This Certifies that **JAIME ALFONSO ZOBEL DE AYALA** is the owner of

**ONE** Shares of the Capital Stock of

AC ENERGY INTERNATIONAL, INC.
(Formerly Presage Corporation)

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

AC ENERGY INTERNATIONAL INC.
INCORPORATED
19 APRIL 2017

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this 7th day of DECEMBER A.D 2020

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE ₱1.00 Each.

TROJAN 118

Certified True Copy

DODJIE D. LAGAZO
Corporate Secretary

NUMBER

007

INCORPORATED UNDER THE LAWS OF
THE REPUBLIC OF THE PHILIPPINES

COMMON

SHARES

**1**

# AC ENERGY INTERNATIONAL, INC.

(Formerly Presage Corporation)

This Certifies that **PATRICE R. CLAUSE** is the owner of

**ONE** *Shares of the Capital Stock of*

**AC ENERGY INTERNATIONAL, INC.**
**(Formerly Presage Corporation)**

*transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.*

*In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation this* 7th *day of* DECEMBER *A.D.* 2020

AC ENERGY INTERNATIONAL, INC.
INCORPORATED
13 APRIL 2007

DODJIE D. LAGAZO
Corporate Secretary

JOHN ERIC T. FRANCIA
President

Shares PAR VALUE P1.00 Each.

TROJAN 118

Certified True Copy

DODJIE D. LAGAZO
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY ) S.S.

**AFFIDAVIT OF UNDERAKING**

I, **DODJIE D. LAGAZO**, Filipino, of legal age, with office address at the 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of **AC ENERGY AND INFRASTRUCTURE CORPORATION** (formerly AC Energy, Inc.; hereinafter, the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal address at 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City.

2. The Corporation executed a Deed of Assignment in favor of AC Energy Corporation (the "Transferee") on 26 April 2021, wherein the Corporation transferred to the Transferee its 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in AC Energy International, Inc. (formerly Presage Corporation) (the "Subject Shares") in exchange for 16,685,800,533 common shares of stock in the Transferee.

3. The Corporation hereby undertakes to submit to the Securities and Exchange Commission proof of transfer of the Subject Shares to the Transferee in the form of stock certificates of the Subject Shares in the name of the Transferee within the prescribed period, extendible for justifiable reasons.

**IN WITNESS WHEREOF**, I have signed this Certificate this APR 2 6 2021 in Makati City.

**DODJIE D. LAGAZO**
*Corporate Secretary*
TIN: 228-446-337

**SUBSCRIBED AND SWORN** to before me this APR 2 6 2021 in Makati City, affiant exhibiting to me as competent evidence of identity his [redacted]

Doc. No.: 15 ;
Page No.: 4 ;
Book No.: IV ;
Series of 2021.

**ATTY. MARK DEAN D.R. ITARALDE**
Notary Public - Makati City
Appt. No. M-163 until December 31, 2021
Roll of Attorneys No. 71073
IBP OR No.144650; January 7, 2021
PTR No. MKT-8534431; 01/05/2021; Makati City
MCLE Compliance No. VI-0028680; valid until 04/14/ 2022
7727 E. Jacinto cor. Medina St.
Barangay Pio Del Pilar, Makati City

AC Energy
An Ayala Company

4F 6750 Office Tower Ayala Avenue
Makati City 1226 Philippines
Tel +632 7730 6300
www.acenergy.ph

26 April 2021

**THE SECURITIES AND EXCHANGE COMMISSION**
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila, Philippines

Attention: Director Gerardo Del Rosario
Company Registration and Monitoring Department

Re: Request for Confirmation of Valuation
Property in Exchange for Shares

Ladies and Gentlemen:

We write to request for confirmation of the valuation of the assets owned by AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.: "ACEIC") consisting of shares of stock in AC Energy International, Inc. (formerly Presage Corporation) ("ACEIC Assets"), which were assigned to AC Energy Corporation (the "Corporation" or "ACEN") in exchange for 16,685,800,533 common shares of stock of the Corporation, which shall be issued out of the increase in the Corporation's authorized capital stock.

The Corporation is listed with the Philippine Stock Exchange ("PSE"). ACEIC, a corporation duly organized and existing under the laws of the Republic of the Philippines currently owns 55.99% of the outstanding capital stock of ACEN.

On 18 March 2020, the Board of Directors of ACEN unanimously approved to increase the authorized capital stock of ACEN from Pesos: Twenty-four Billion Four Hundred Million (₱24,400,000,000.00) divided into twenty-four billion four hundred million (24,400,000,000) common shares with a par value of Peso: One (₱1.00) per share <u>TO</u> Pesos: Forty-eight Billion Four Hundred Million (₱48,400,000,000.00) divided into Forty-eight Billion Four Hundred Million (48,400,000,000) common shares with a par value of Peso: One (₱1.00) per share ("Increase in ACS"), and has further authorized ACEN to apply for the approval by the Philippine Securities and Exchange Commission ("SEC") of the Increase in ACS. On 18 March 2021, the Board of Directors unanimously confirmed its 18 March 2020 approval of the Increase in ACS and the subscription by ACEIC in accordance with the transaction described below.

On 20 April 2020, the Increase in ACS was approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of ACEN. On 19 April 2021, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of ACEN confirmed their 20 April 2020 approval of the Increase in ACS.

Under the Deed of Assignment executed on 26 April 2021, ACEIC assigned the ACEI Assets or 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares of ACEIC in AC Energy International, Inc. (formerly Presage Corporation) in exchange for 16,685,800,533 common shares of stock in the Corporation, at the total issue price of ₱85,931,872,744.95, or ₱5.15 per share. The said 16,685,800,533 common shares of stock subject of the Deed of Assignment will be issued by the Corporation out of the Increase in ACS.

The ACEIC Assets were valued at a total of ₱85,931,872,744.95, on the basis of a valuation study conducted by FTI Consulting Philippines, Inc. ("FTI Consulting") an independent firm accredited by the Securities and Exchange Commission (SEC Accreditation No. 032) as a Professional Services Organization in accordance with SEC Memorandum No. 2 Series of 2014 (Guidelines on Asset Valuation). Based on FTI Consulting's study, the fair market value of the ACEIC Assets is estimated to be in the range of ₱69,387,450,000 to ₱86,036,850,000.

The ACEIC Assets are listed and described the Valuation Report dated 18 March 2021 issued by FTI Consulting.

In support of this request, we attach the following:

1. Valuation Report dated 18 March 2021 issued by FTI Consulting as Annex A;
2. Secretary's Certificate on the board resolution approving the additional issuance of shares of stock as Annex B;
3. Secretary's Certificate on the list of stockholders with the nationalities, amount subscribed and paid up, and the subscriber to the new shares as Annex C;
4. Secretary's Certificate on no pending case of intra-corporate dispute as Annex D; and
5. Secretary's Certificate on the resolution by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the ACEN approving the issuance of shares in exchange for property as Annex E.

We trust that this request merits your prompt and favorable action.

Very truly yours,

Maria Cory G. Dy

**MARIA CORAZON G. DIZON**
Chief Finance Officer

**Securities and Exchange Commission**
PHILIPPINES

## MARKETS AND SECURITIES REGULATION DEPARTMENT

04 May 2021

**AC ENERGY CORPORATION**
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City
Tel. No. (02) 7730-6300

Attention: **ALAN ASCALON**
Assistant Corporate Secretary & VP - Legal and Data Privacy Officer

Subject: **Request for Comment/Recommendation**

Gentlemen:

This is in connection with the request of **AC ENERGY CORPORATION** (the "Company") for comment and/or recommendation relative to its application for amendment of its Articles of Incorporation (AOI), as follows:

> ***SEVENTH:*** *That the authorized capital stock of said Corporation is* ***FORTY-EIGHT BILLION FOUR HUNDRED MILLION PESOS (P48,400,000,000.00) Philippine Currency, and said capital stock is divided into FORTY-EIGHT BILLION FOUR HUNDRED MILLION (48,400,000,000.00)*** *shares with a par value of One Peso (P1.00) per share. (As amended during the meeting of the Board of Directors held on 18 March 2021, and approved during the Annual Stockholders' Meeting held on 19 April 2021)*
>
> *That no holder of the capital stock, whether said stock is now or hereafter authorized, shall have any right, as such stockholder, to purchase or subscribe to additional shares of the capital stock which are now or hereafter authorized by the Corporation, if the issue of the said additional stock not to exceed Thirty-Five percent (35%) of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation as determined by resolutions of the Board of Directors.*
>
> *That existing stockholders shall have no pre-emptive right in relation to shares issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt provide however, that shares to be issued for this purpose shall not exceed* ***twenty-four (24) billion shares.*** *(As amended during the meeting of the Board of Directors held on 18 March 2021 and approved during the Annual Stockholders' Meeting held on 19 April 2021)*

We do not interpose any objection to your application provided that once the application has been approved, AC Energy Corporation shall file a duly accomplished **Current Report (SEC Form 17-C)** disclosing therein the Commission's approval of said amendment with the Commission's Central Receiving and Records Division, within five (5) days from the approval of the Amended Articles of Incorporation.

The company is also reminded to file an amended General Information Sheet (GIS) within seven (7) days after such change occurred or became effective.

Our Department, nonetheless defers to the discretion of the Commission's Company Registration and Monitoring Department (CRMD) considering that it has primary jurisdiction over registration of corporations and partnership in general, as well as amendments to Articles of Incorporation. Furthermore, our comments or recommendations are limited merely to this Department's regulatory requirements and **does not cover the substance of the application with respect to compliance with the Revised Corporation Code of the Philippines**.

This comment is without prejudice to the prerogative of this Department to act later against the subject entity, if warranted, to ensure full compliance with the provision of the Securities Regulation Code, its implementing rules and regulations, and other pertinent laws, rules and regulations, as may be necessary and applicable under the circumstances.

Very truly yours,

**signed**
**VICENTE GRACIANO P. FELIZMENIO, JR.**
Director

Copy furnished:

**COMPANY REGISTRATION AND MONITORING DEPARTMENT**
Securities and Exchange Commission

## AC ENERGY DOLLETE, Virginia V.

**From:** MSRD COVID19 <msrd_covid19@sec.gov.ph>
**Sent:** Monday, 26 April 2021 3:27 PM
**To:** AC ENERGY DOLLETE, Virginia V.
**Subject:** Re: AC Energy Corporation's Request for Comment/Recommendation

Acknowledged. Thank you.

Regards,

**MARKETS AND SECURITIES REGULATION DEPARTMENT**
**PHILIPPINE SECURITIES AND EXCHANGE COMMISSION**

On Mon, Apr 26, 2021 at 2:01 PM AC ENERGY DOLLETE, Virginia V. <dollete.vv@acenergy.com.ph> wrote:

Gentlemen:

We would like to request for your comment/recommendation with regard to our application for the Increase in Authorized Capital Stock of AC Energy Corporation (formerly : AC Energy Philippines, Inc.) For your reference, please see the attached documents:

1. MSRD Form for Request of Comment/Recommendation;
2. Directors' Certificate;
3. Amended Articles of Incorporation;
4. General Information Sheet; and

We hope to receive a favorable response.

Thank you.

**MSRD FORM FOR Request for Comments/Recommendations**
**For CRMD Applications filed by MSRD registered entities**

26 April 2021
Date

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

Attention : MARKETS AND SECURITIES REGULATION DEPARTMENT

Subject : REQUEST FOR COMMENTS/RECOMMENDATION

Gentlemen:

This is to respectfully request your Department's comment and/or recommendation on the proposed application of our corporation/partnership to be filed with the Company Registration and Monitoring Department (CRMD), details of which are as follows:

| | |
|---|---|
| NAME OF REQUESTING CORPORATION/PARTNERSHIP | **AC ENERGY CORPORATION** |
| ADDRESS OF REQUESTING CORPORATON/PARTNERSHIP | 4th Floor 6750 Office Tower, Ayala Avenue, Makati City |
| SEC REGISTRATION NO. (If applicable) | 39274 |
| TYPE OF SEC-ISSUED SECONDARY LICENSE (If applicable) | |
| TYPE OF PROPOSED CRMD APPLICATION | Amendment of the Articles of Incorporation |
| CONTACT PERSON | Alan T. Ascalon |
| CONTACT NUMBERS | 09175550765 |

Moreover, we also request that you furnish the CRMD a copy of your reply to our request. We have attached a copy of the aforesaid application for your review/evaluation only and for the purpose of the issuance of the Markets and Securities Regulation Department's (MSRD) comment and/or recommendation thereto. It is further understood that the MSRD is not responsible for the actual processing of the above-mentioned application of the corporation/partnership.

Finally, should there be any violation of any existing laws, rules and regulations implemented by the MSRD, the company undertakes to: (1) submit all the required report/s within seven (7) day from notification of approval of the application/s; and (2) pay the corresponding penalty.

Thank you.

Very truly yours,

**AC ENERGY CORPORATION**
*(Name of Corporation/Partneship)*

By: **ALAN T. ASCALON**
*(Signature over Printed Name/Authorized Representative*

**Detailed Schedule of Shares assigned to AC Energy Corporation ("ACEN") in exchange for 16,685,800,533 ACEN Common Shares**

| Company | Stock Certificate No. | Type of Share | Number of Shares | Par Value per Share (PhP) | % of Ownership Transferred | Transfer Value (PhP) | No. of Exchange Shares |
|---|---|---|---|---|---|---|---|
| AC Energy International, Inc. (formerly, Presage Corp.) | 2, 3, 4, 5, 6, 7<br>1 | Common<br>Redeemable Preferred | 1,701,284,345<br>15,030,279,000 | 1.00<br>1.00 | 100%<br>100% | 70,901,593,744.95<br>15,030,279,000.00 | 13,767,299,756<br>2,918,500,777 |
| Total | | | | | | 85,931,872,744.95 | **16,685,800,533** |

* Stock Certificate Nos. 3, 4, 5, 6 and 7 for one common share each are held by nominee directors of AC Energy and Infrastructure Corporation

Certified by:

**Maria Corazon G. Dizon**
*Treasurer & CFO*
**AC Energy Corporation**

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
AC Energy International, Inc.
4th Floor, 6750 Ayala Avenue Office Tower
Makati City

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of AC Energy International, Inc. (formerly Presage Corporation) (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

SGV
Building a better working world



**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 14 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AC Energy International, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

April 27, 2021

## AC ENERGY INTERNATIONAL, INC.
**(FORMERLY PRESAGE CORPORATION)**

## STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 4 and 11) | **₱99,977,339** | ₱165,438,390 |
| Due from related parties (Notes 10 and 11) | **96,717,765** | 220,011,546 |
| Receivables | **2,421,000** | – |
| **Total Current Assets** | **199,116,104** | 385,449,936 |
| **Noncurrent Assets** | | |
| Equity instrument at fair value through other comprehensive income (Note 5) | **2,500** | 2,500 |
| Input value-added taxes | **8,606,156** | 4,478,563 |
| Loans receivable (Notes 10 and 11) | **148,545,684** | 148,545,684 |
| Interest receivable (Notes 10 and 11) | **23,704,415** | 11,760,610 |
| Investments in subsidiary and associates (Note 6) | **16,947,558,130** | 16,896,428,130 |
| **Total Noncurrent Assets** | **17,128,416,885** | 17,061,215,487 |
| **TOTAL ASSETS** | **₱17,327,532,989** | ₱17,446,665,423 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Note 7) | **₱60,764,076** | ₱9,865,280 |
| Income tax payable | **240** | 48,501,202 |
| **Total Current Liabilities** | **60,764,316** | 58,366,482 |
| **Noncurrent Liability** | | |
| Deferred tax liability (Note 9) | **7,591,031** | 3,288,128 |
| **Total Liabilities** | **68,355,347** | 61,654,610 |
| **Equity** (Note 8) | | |
| Common stock | **1,701,284,345** | 1,650,166,345 |
| Preferred Stock | **15,030,279,000** | **–** |
| Additional paid-in capital | – | 54,151,380 |
| Deposit for future stock subscription | – | 15,030,279,000 |
| Retained earnings | **527,614,297** | 650,414,088 |
| **Total Equity** | **17,259,177,642** | 17,385,010,813 |
| **TOTAL LIABILITIES AND EQUITY** | **₱17,327,532,989** | ₱17,446,665,423 |

*See accompanying Notes to Financial Statements.*

**AC ENERGY INTERNATIONAL, INC.**
**(FORMERLY PRESAGE CORPORATION)**

## STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **INCOME** | | |
| Interest income (Notes 4 and 10) | **₱11,964,152** | ₱12,680,205 |
| Foreign exchange gain - net | **2,411,204** | 37,473,945 |
| Dividend income (Notes 6 and 10) | – | 306,270,030 |
| Gain on sale of investments in subsidiaries and associate (Note 6) | – | 420,908,008 |
| | **14,375,356** | 777,332,188 |
| **EXPENSES** | | |
| Management fees (Note 10) | **34,131,796** | 28,681,874 |
| Professional fees | **1,981,403** | 2,182,523 |
| Taxes and licenses | **83,602** | 107,593,677 |
| Bank charges | **1,825** | 170,732 |
| Loss on sale of investment in a subsidiary (Note 6) | – | 256,025,520 |
| Miscellaneous | **6,744** | – |
| | **36,205,370** | 394,654,326 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **(21,830,014)** | 382,677,862 |
| **PROVISION FOR INCOME TAX** (Note 9) | **4,307,188** | 46,551,953 |
| **NET INCOME (LOSS)** | **(26,137,202)** | 336,125,909 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive gain not to be reclassified to profit or loss in subsequent periods: | | |
| *Unrealized fair value gain on investments at fair value through other comprehensive income* | – | 12,211,265 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱26,137,202)** | ₱348,337,174 |

*See accompanying Notes to Financial Statements.*

# AC ENERGY INTERNATIONAL, INC. (FORMERLY PRESAGE CORPORATION)

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | Common Stock (Note 8) | Redeemable Preferred Stock (Note 8) | Additional Paid-in Capital (Note 8) | Deposit on Future Stock Subscription (Note 8) | Net Unrealized Gain (Loss) on Equity Instruments at FVOCI (Note 5) | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balances at January 1, 2020** | **₱1,650,166,345** | **₱–** | **₱54,151,380** | **₱15,030,279,000** | **₱–** | **₱650,414,088** | **₱17,385,010,813** |
| Total comprehensive loss | **–** | **–** | **–** | **–** | **–** | **(26,137,202)** | **(26,137,202)** |
| Issuance of shares | **51,118,000** | **–** | **–** | **–** | **–** | **–** | **51,118,000** |
| Transaction costs on issuance of shares | **–** | **–** | **(54,151,380)** | **–** | **–** | **(96,662,589)** | **(150,813,969)** |
| Application of deposit | **–** | **15,030,279,000** | **–** | **(15,030,279,000)** | **–** | **–** | **–** |
| **Balances at December 31, 2020** | **₱1,701,284,345** | **₱15,030,279,000** | **₱–** | **₱–** | **₱–** | **₱527,614,297** | **₱17,259,177,642** |
| Balances at January 1, 2019 | ₱2,734,054,558 | ₱– | ₱88,314,593 | ₱1,339,200,000 | (₱12,210,707) | ₱384,287,621 | ₱4,533,646,065 |
| Net income | – | – | – | – | – | 336,125,909 | 336,125,909 |
| Other comprehensive gain | – | – | – | – | 12,210,707 | 558 | 12,211,265 |
| Total comprehensive income | – | – | – | – | 12,210,707 | 336,126,467 | 348,337,174 |
| Issuance of shares | 29,891,397 | 475,136,760 | – | – | – | – | 505,028,157 |
| Transaction costs on issuance of shares | – | – | (34,163,213) | – | – | – | (34,163,213) |
| Redemption and retirement of shares | (1,113,779,610) | (1,814,336,760) | – | – | – | – | (2,928,116,370) |
| Application of deposit | – | 1,339,200,000 | – | (1,339,200,000) | – | – | – |
| Receipt of deposit | – | – | – | 15,030,279,000 | – | – | 15,030,279,000 |
| Dividends declared | – | – | – | – | – | (70,000,000) | (70,000,000) |
| Balances at December 31, 2019 | ₱1,650,166,345 | ₱– | ₱54,151,380 | ₱15,030,279,000 | ₱– | ₱650,414,088 | ₱17,385,010,813 |

*See accompanying Notes to Financial Statements.*

# AC ENERGY INTERNATIONAL, INC.
# (FORMERLY PRESAGE CORPORATION)

## STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) before income tax | **(₱21,830,014)** | ₱382,677,862 |
| Adjustments for: | | |
| Interest income (Notes 4 and 10) | **(11,964,152)** | (12,680,205) |
| Unrealized foreign exchange gain - net | **(2,399,204)** | (37,473,945) |
| Loss on sale of investment in a subsidiary (Note 6) | – | 256,025,520 |
| Gain on sale of investments in subsidiaries and associate (Note 6) | – | (420,908,008) |
| Dividend income (Note 6) | – | (306,270,030) |
| Operating loss before changes in working capital | **(36,193,370)** | (138,628,806) |
| Increase in: | | |
| Input value-added taxes | **(4,127,593)** | (3,506,374) |
| Accounts and other payables | **50,898,796** | 246,547 |
| Net cash generated from (used for) operations | **10,577,833** | (141,888,633) |
| Interest received | **20,347** | 1,719,779 |
| Taxes paid | **(48,505,247)** | (332,840) |
| Net cash used in operating activities | **(37,907,067)** | (140,501,694) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Dividends received (Notes 6 and 10) | – | 306,270,030 |
| Deduction from (additions to): | | |
| Due from related parties (Note 10) | **123,293,781** | 117,334,339 |
| Investment in subsidiaries, associates and joint venture (Note 6) | **(51,130,000)** | (15,093,383,930) |
| Loans receivable (Note 10) | – | (28,518,150) |
| Equity instruments at FVOCI (Note 5) | – | (604,645,600) |
| Proceeds from: | | |
| Disposal of equity instruments at FVOCI (Note 5) | – | 692,574,000 |
| Disposal of investments in subsidiaries, associates and joint venture (Note 6) | – | 2,292,796,763 |
| Net cash from (used in) investing activities | **72,163,781** | (12,317,572,548) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from: | | |
| Deposit for future stock subscription (Note 8) | – | 15,030,279,000 |
| Issuances of shares (Note 8) | **51,118,000** | 505,028,157 |
| Payments of: | | |
| Redemption and retirement of shares (Note 8) | – | (2,928,116,370) |
| Dividends (Note 8) | – | (70,000,000) |
| Transaction cost on issuances of shares (Note 8) | **(150,813,969)** | (34,163,213) |
| Net cash from (used in) financing activities | **(99,695,969)** | 12,503,027,574 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(65,439,255)** | 44,953,332 |
| **EFFECTS OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE ON CASH AND CASH EQUIVALENTS** | **(21,796)** | (30,478,845) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **165,438,390** | 150,963,903 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 4) | **₱99,977,339** | ₱165,438,390 |

*See accompanying Notes to Financial Statements.*

# AC ENERGY INTERNATIONAL, INC.
# (FORMERLY PRESAGE CORPORATION)
# NOTES TO FINANCIAL STATEMENTS

## 1. Corporate Information

AC Energy International, Inc. (Formerly Presage Corporation) (the Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on April 3, 2007. The Company was organized primarily to invest in financial instruments, and engage in the activities of a holding company, without however engaging in the business of an investment company, finance company or a broker or dealer in securities.

The Company is a wholly owned subsidiary of AC Energy and Infrastructure Corporation ("ACEIC", Formerly AC Energy, Inc. the Parent Company). ACEIC is a wholly owned subsidiary of Ayala Corporation (AC), which is a publicly-listed company, 47.3% owned by Mermac, Inc. (ultimate parent) and the rest by the public.

On March 13, 2020, the Board of Directors (BOD) and Shareholders of AC Energy International, Inc approved the amendment of the Company's Articles of Incorporation and By-laws to change the corporate name of the Company from "Presage Corporation" to "AC Energy International, Inc". The amendment was approved by the Securities and Exchange Commission (SEC) on December 7, 2020.

The Company's registered office address is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

The Company's accounting and administrative functions are handled by ACE Shared Services, Inc. (ACES) (Note 10).

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on April 27, 2021.

## 2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying financial statements have been prepared on historical cost basis, except for the equity instruments at fair value through other comprehensive income (FVOCI) which are carried at fair value and are presented in Philippine Peso (₱), the Company's functional currency. All amounts are rounded to the nearest Peso unless otherwise indicated.

<u>Statement of Compliance</u>
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The Company elected not to prepare consolidated financial statements under the exemption provided in PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures*. The accounts of the Company are included in the consolidated financial statements of ACEIC, the Company's immediate parent company. ACEIC prepares consolidated financial statements in accordance with PFRS and for the same accounting period as that of the Company, which can be obtained at its registered address at 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

Changes in Accounting Policies and Disclosures
The Company has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of the pronouncements either did not have any significant impact on the Company's financial position or performance or not applicable to the Company, unless otherwise indicated.

*Effective beginning on January 1, 2020*

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

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

  These amendments will apply on future business combinations of the Company.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  This amendment is not applicable to the Company.

<u>Standards Issued but not yet Effective</u>
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 financial statements. The Company intends to adopt the following pronouncements when they become effective.

*Effective beginning on January 1, 2021*
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

*Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture*, *Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

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

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

<u>Summary of Significant Accounting Policies</u>
The significant accounting policies that have been used by the Company in the preparation of the financial statements are discussed below.

<u>Cash and Cash Equivalents</u>
Cash in bank earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from dates of placements and are subject to an insignificant risk of change in value.

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

*Financial assets*
*Initial recognition and measurement*
Financial assets are classified at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. For a financial asset to be classified and measured at amortized cost or fair value through OCI, 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.

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

*Subsequent measurement of financial assets*
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

*Financial assets at amortized cost (debt instruments)*
The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Company's financial assets at amortized cost pertains to "Cash and cash equivalents", "Due from related parties", "Receivables", "Loan receivable" and "Interest receivable".

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive 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 fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category (Note 5).

*Derecognition*
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

The principal or the most advantageous market must be accessible to the 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 nonfinancial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset is 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of 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.

*Impairment of financial assets*
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For its “Receivables”, “Due from related parties” “Loan receivables” and “Interest receivables”, the Company applies a simplified approach in calculating ECLs. Therefore, does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company’s “Cash and cash equivalents” are graded to be low credit risk investment based on the depository bank’s credit ratings as published by Bloomberg Terminal.

*Financial liabilities*
*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financials liabilities at fair value through profit or loss, loan and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

As at December 31, 2020, and 2019, the Company’s financial liabilities pertain to “Accounts and other payables”.

*Subsequent measurement*
After initial recognition, financial liabilities are subsequently measured at amortized cost using the EIR method. 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.

*Derecognition*
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. 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 Company’s statement of comprehensive income.

Investments in a Subsidiary and Associates
The Company's investments in a subsidiary and associates are accounted for under the cost method less accumulated provision for impairment losses, if any.

A subsidiary is an entity in which the Company exercises control over the company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

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

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

a. The contractual arrangement with the other vote holders of the investee;
b. Rights arising from other contractual arrangements; and
c. The Company's voting rights and potential voting rights.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The Company reduces the carrying value of its investment based on acquisition cost per share (historical cost) when the Company disposes the investment or the investee reacquires its own equity instruments from the Company.

Equity
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is recognized as additional paid-in capital. Direct costs incurred related to the equity issuance are deducted from equity, net of any related tax benefits. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Retained earnings represent accumulated net earnings (losses) of the Company.

Other Comprehensive Income
OCI are items of income and expense that are not recognized in determining the profit or loss for the year in accordance with PFRS.

Dividend income
Dividend income is recognized when the Company's right to receive the payment is established.

Interest income
Interest income is recognized as it accrues using EIR.

Expense Recognition
Expenses are recognized in the statement of comprehensive income when decrease in economic benefits related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. These are generally recognized as they are incurred.

Income Tax
*Current tax*
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Events After the Reporting Period
Post-year end events that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the financial statements. Post-year end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## 3. Significant Accounting Judgments and Estimates

The preparation of the accompanying Company financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying Company financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 financial statements:

*Assessment of control*
The Company determined that it has control over its subsidiary (see Note 6) by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

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

*Assessment of significant influence*
The Company determined that it exercises significant influence over its associate by considering, among others, its ownership interest, Board representation and participation on Board sub-committees, and other contractual terms (see Note 6).

*Evaluation of impairment of financial assets*
Under PFRS 9, *Financial Instruments*, the Company reviews its cash and receivables portfolio to assess impairment at least on an annual basis. In determining whether ECL should be recognized in the statements of comprehensive income, the Company makes judgments as to whether there is any observable data that there is a measurable decrease in the estimated future cash flows from debt instruments. In 2020 and 2019, no provision for ECL was recognized (see Notes 10 and 11).

*Evaluation of impairment of nonfinancial assets*
The Company reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant decline in assets' market value, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

When there are indicators of impairment, the Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect the carrying value of these assets.

Management assessed that no impairment indicators exist on the Company's nonfinancial assets as at December 31, 2020 and 2019 (see Note 6).

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 below.

## 4. Cash and Cash Equivalents

| | **2020** | 2019 |
|---|---|---|
| Cash in banks | **₱99,977,339** | ₱22,438,390 |
| Cash equivalents | **–** | 143,000,000 |
| | **₱99,977,339** | ₱165,438,390 |

Cash in banks earns interest at a rate of 0.25% to 7.50% for 2020 and 2019.

Cash equivalents is a short term, highly liquid investment that is made for varying periods of up to three months depending on the immediate cash requirements of the Company and earns interest at ranging from 2.25% to 6.25% per annum in 2020 and 2019.

Interest income from cash in banks and cash equivalents amounted to ₱0.02 million and ₱1.72 million in 2020 and 2019, respectively.

## 5. Equity Instruments at Fair Value through Other Comprehensive Income

This account pertains to investments in equity securities of Katimak Holdings, Inc. (Katimak), a domestic corporations whose shares are not listed in the Philippine Stock Exchange. As at 2020 and 2019, the equity instrument has a carrying value of ₱2,500 resulting to a 1% direct ownership in the Company.

In 2018, the Company acquired 9.63% ownership of ACE DevCo amounting to ₱87.93 million. As at December 31, 2018, the fair value of investment in ACE DevCo amounted to ₱75.72 million.

From January to May 2019, the Company made additional infusions to ACE DevCo amounting to ₱604.65 million.

On September 26, 2019, the Company and its affiliate, ACE Renewables Philippines, Inc. (ACRPI, formerly Moorland Philippines Holdings, Inc.) entered into a deed of assignment of shares of stock for the entire interest of the Company in ACE DevCo for ₱692.57 million (Note 10). The proceeds of the sale were fully collected on October 9, 2019.

The increase in fair value amounting to ₱12.21 million for the Company's investment in ACE DevCo was recognized prior to the sale. This is presented as other comprehensive income in the 2019 statement of comprehensive income. Fair value is based on the discounted value of future cash flows using the applicable discount rates relevant to the industry of these companies. This is a Level 3 valuation technique.

## 6. Investments in a Subsidiary and Associates

The Company's investments in a subsidiary and associates and the corresponding direct percentages of ownership as at December 31, 2020 and 2019 are shown below:

| | Direct Percentage of Ownership | | Carrying Amounts | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Subsidiary | | | | |
| AC Energy Cayman (ACE Cayman) (1) | **100%** | 100% | **₱2,529,430** | ₱2,529,430 |
| Associates | | | | |
| AC Renewables International Pte. Ltd. (ACRI, formerly AC Energy Holdings International Holdings PTE Ltd.) (2) | **100%** | 9% | **16,937,603,500** | 16,886,473,500 |
| ACE Investments HK Limited (ACE HKL) | **100%** | 100% | – | – |
| Northpoint Wind Power Development Corporation (Northpoint) (3) | **48%** | 48% | **5,000,000** | 5,000,000 |
| Northeast Wind Systems Corporation (NEWS) (3) | **47%** | 47% | **2,425,200** | 2,425,200 |
| | | | **₱16,947,558,130** | ₱16,896,428,130 |

The rollforward of this account is as follows:

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱16,896,428,130** | ₱3,570,995,901 |
| Acquisitions during the year (including conversion) | **51,130,000** | 15,656,603,930 |
| Cost of investments disposed during the year | **–** | (2,331,171,701) |
| Balance at end of year | **₱16,947,558,130** | ₱16,896,428,130 |

Unless otherwise stated, the principal place of business and country of incorporation of the Company's investment in subsidiaries and associates is in the Philippines.

Except as discussed below, the voting rights held by the Company in its investments in subsidiaries and associates are in proportion to its ownership interest. The following significant transactions affected the Company's investments:

(1) *Investment in ACE Cayman*
On December 17, 2019, the Company and AC Energy HK Ltd., a subsidiary of ACEIC, entered into a deed of assignment of shares for the latter's 20,000 shares in ACE Cayman to the Company for ₱2.53 million. The assignment resulted to 100% ownership in ACE Cayman. ACE Cayman holds 64% economic interest in ACRI.

ACE Cayman is a private limited company in Hong Kong and it was established to carry out international financing activities of the Company.

(2) *Investment in ACRI*
ACRI is a private company incorporated in Singapore and is the investment vehicle of ACEIC for international renewable projects.

In 2019, ACEIC made acquisition through subscription to 1.00 million primary shares with a total par value of US$1 million (₱52.00 million). This diluted the Company ownership interest to 9% with voting interest of 25% with its 0.10 million shares with a total par value of US$0.10 million (₱5.20 million). Consequently, ACRI became an associate of the Company.

The Company made capital infusions to ACRI amounting to US$1.00 million (₱51.13 million) and US$297.00 million (₱15,068.59 million) in 2020 and 2019, respectively.

The US$1.00 million capital infusion is for the issuance of 100% of primary shares of ACRI which was previously redeemed to ACEIC in 2020.

Dividends received from ACRI amounted to ₱176.99 million in 2019 (nil in 2020).

(3) *Investments in PWPC, NEWS and Northpoint*
In 2018, the Company entered into an Investment Framework Agreement and Shareholders' Agreement, where, the Company acquired ownership of Pagudpud Wind Power Corp. for ₱2.50 million, the majority shareholder of Bayog Wind Power Corp. ("BWPC"), the project Company.

In 2019, the Company acquired from ACEIC 26,021 shares in PWPC for ₱2.60 million.
On October 2, 2019, the Company's investment in PWPC amounting to ₱5.10 million was sold to ACE DevCo at book value (see Note 10). The proceeds of the sale were fully collected on October 2, 2019.

On August 31, 2019, the Company acquired interest in NEWS and Northpoint amounting to ₱2.43 million and ₱5.00 million, respectively.

NEWS and Northpoint are primarily engaged in the generation of electricity from renewable energy sources.

(4) *Investments in Visayas Renewables Corp. (VRC)*
In 2017, the Company purchased 100% shares of VRC with aggregate acquisition cost of ₱586.03 million. VRC is a corporation engaged to evaluate, examine, develop and market in the manufacture and sale of electric current, biofuels and other utilities of any kind and character.

On September 26, 2019, the Company's investment in VRC was sold to ACE DevCo for ₱330.00 million. The transaction resulted to ₱256.03 million loss which is presented under "Loss on sale of investment in a subsidiary" in the statements of comprehensive income (see Note 10). The proceeds of the sale were fully collected on September 26, 2019.

(5) *Investments in Solienda Incorporated and SCC Bulk Water Supply Inc*
In 2017, the Company purchased 100% shares of Solienda and SCC with aggregate acquisition cost amounting to ₱515.81 million and ₱127.07 million, respectively. Solienda was organized primarily to deal and engage in land and real estate business. SCC is primarily engaged in collection, purification and distribution of water in Negros Occidental.

On October 1, 2019, the Company's investment in SCC amounting to ₱127.07 million was sold to ACE DevCo at book value (Note 10). The proceeds of the sale were fully collected on October 1, 2019.

On October 2, 2019, the Company's investment in Solienda was sold to ACE DevCo at book value (Note 10). On the same date, deposit for stock subscription of the Company for the shares of Solienda with an aggregate amount of ₱90.00 million recorded under "Due from related parties" was applied to the issued shares of Solienda and consequently sold to ACE DevCo for ₱204.33 million. The transaction resulted to ₱114.33 million gain on sale which is presented under "Gains on sale of investments in subsidiaries and associate" in the statements of comprehensive income. The proceeds of the sale were fully collected on October 2, 2019.

Dividends received from Solienda amounted to ₱70.00 million in 2019 (nil in 2020).

(6) *Investment in Gigasol2, Inc*
In 2017, Gigasol1, Gigasol2, Gigasol3, SolarAce1, and SolarAce2 (collectively "Solar entities") were established as wholly-owned subsidiaries of the Company. The purpose of these companies is to apply for and pursue solar farm projects. Total cost of investment amounts to ₱4.00 million each, consisting of 4.00 million common shares at ₱1.00 par value. The Company has outstanding subscription payable to these five Solar entities amounting to ₱3.00 million each for an aggregate total of ₱15.00 million as at December 31, 2017 and was fully paid in 2018.

In 2018, the Company's investments in Gigasol1, Gigasol3, SolarAce1 and SolarAce2 amounting to a total of ₱16.00 million were sold to Gigasol2 at book value.

The Company investments in AC Subic, AC Laguna, and AC La Mesa established in 2016 to carry business of exploring and developing renewable energy sources amounting were sold to Gigasol2 at book value of ₱12.00 million in 2018. The Company has outstanding subscription payable to these three entities amounting to ₱3.00 million each for an aggregate total of ₱9.00 million as at December 31, 2017 and was fully paid in 2018.

In 2018, Gigasol2 applied for increase of its authorized capital stock in which the Company subscribed and paid for 1.95 million redeemable preferred shares and 20.00 million common shares amounting to a total par value of ₱215.00 million.

In 2019, the Company's investment in Gigasol2 was sold in two tranches to ACE DevCo amounting to ₱256.28 million and ₱246.27 million (see Note 10). The transaction resulted to ₱283.55 million gain on sale which is presented under "Gains on sale of investments in subsidiaries and associate" in the statements of comprehensive income. As at December 31, 2020, the purchase price from ACE DevCo amounting to ₱95.00 million remains unpaid.

(7) *Investments in HDP Bulk Water Supply Inc.*
In 2018, the Company entered into a Share Purchase Agreement for the purchase of 100% interest in HDP for a total consideration of ₱110.10 million. HDP is a domestic company that supplies water to San Carlos Bioenergy, Inc. and to San Carlos Land, Inc., affiliate companies.

The Company has outstanding retention payable amounting to ₱8.26 million as at December 31, 2018 (see Note 10).

On May 16, 2019, the Company made infusions to HDP amounting to ₱12.24 million.

On October 1, 2019, the Company's investment in HDP was sold to ACE DevCo for ₱122.33 million cash and the retention payable was transferred as part of the consideration (see Note 10). The transaction resulted to a gain of ₱8.26 million which is presented under "Gains on sale of investments in subsidiaries and associate" in the statements of comprehensive income.

(8) *Investments in NorthWind Power Development Corporation*
In 2014, the Company acquired 16.81% interest in NPDC for ₱123.43 million. Subsequently, in 2016, the Company acquired additional 17.79% interest in NPDC for ₱284.71 million, which increased the Company's equity interest in NPDC to 34.59%. NPDC owns and operates the 33-MW wind farm located in Bangui Bay, Ilocos Norte.

Dividends received from NPDC amounted to ₱59.28 million in 2019 (nil in 2020).

On September 20, 2019, the Company's investment in NPDC was sold to ACRPI for ₱494.09 million (see Note 10). The transaction resulted to ₱14.77 million gain which is presented under "Gains on sale of investment in subsidiaries and associate" in the statements of comprehensive income. The proceeds of the sale were fully collected on September 20, 2019.

(9) *Investment in Negros Island Biomass Holdings, Inc.*
In 2018, the Company entered into share purchase agreements for acquisition of interest in Isla Bio amounting to ₱154.66 million. Isla Bio is the entity that holds interest in the three biomass plants in Negros - (1) San Carlos BioPower, (2) South Negros BioPower and (3) Negros BioPower.

In 2019, the Company's investment in Isla Bio amounting to ₱186.51 million was sold to ACE DevCo at book value (see Note 10). The proceeds of the sale were fully collected on October 1, 2019.

## 7. Accounts and Other Payables

This account consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Due to related parties (Note 10) | **₱60,535,024** | ₱– |
| Withholding tax payable | **139,686** | 123,541 |
| Accrued expenses | **58,300** | 9,741,739 |
| Accounts payable | **31,066** | – |
| | **₱60,764,076** | ₱9,865,280 |

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on thirty (30) to sixty (60) day terms.

## 8. Equity

| | Number of Shares | | |
|---|---|---|---|
| **Class of stock** | **Common Shares** | **Redeemable Preferred Shares** | **Total** |
| **Authorized shares** | **6,000,000,000** | **20,410,279,000** | |
| **Par value** | **₱1.00** | **₱1.00** | |
| **Balances at January 1, 2019** | **2,734,054,558** | **–** | **2,734,054,558** |
| Issuances during the year | 29,891,397 | 1,814,336,760 | 1,844,228,157 |
| Redemption and retirement during the year | (1,113,779,610) | (1,814,336,760) | (2,928,116,370) |
| **Balances at December 31, 2019** | **1,650,166,345** | **–** | **1,650,166,345** |
| Issuances during the year | 51,118,000 | 15,030,279,000 | 15,081,397,000 |
| **Balances at December 31, 2020** | **1,701,284,345** | **15,030,279,000** | **16,731,563,345** |

| | Amounts | | |
|---|---|---|---|
| **Class of stock** | **Common Shares** | **Redeemable Preferred Shares** | **Total** |
| **Balances at January 1, 2019** | **₱2,734,054,558** | **₱–** | **₱2,734,054,558** |
| Issuances during the year | 29,891,397 | 1,814,336,760 | 1,844,228,157 |
| Redemption and retirement during the year | (1,113,779,610) | (1,814,336,760) | (2,928,116,370) |
| **Balances at December 31, 2019** | **1,650,166,345** | **–** | **1,650,166,345** |
| Issuances during the year | 51,118,000 | 15,030,279,000 | 15,081,397,000 |
| **Balances at December 31, 2020** | **₱1,701,284,345** | **₱15,030,279,000** | **₱16,731,563,345** |

*Common shares*
As at December 31, 2020 and 2019, the Company has 6,000.00 million shares of authorized common shares with par value of ₱1.00 each. As at December 31, 2020 and 2019, 1,701.28 million common shares with a total par value of ₱1,701.28 million and 1,650.17 million shares with a total par value of ₱1,650.17 million, respectively, were issued and outstanding.

In 2020 and 2019, ACEIC subscribed to 51.12 million common shares and 29.89 million common shares of the Company with a total par value of ₱51.12 million and ₱29.89 million, respectively.

On October 2019, the Company reacquired and thereafter retired 1,113.78 million common shares at par value amounting to ₱1,113.78 million.

*Redeemable preferred shares*
The Company's redeemable preferred shares have the following features: a) voting; (b) redeemable anytime at the option of the Company; (c) dividend rate to be determined by the BOD upon issuance; (d) with pre-emptive rights only in respect of any issue of preferred shares; (e) non-participating; and (f) preference over holders of common stock in the distribution of corporate assets in the event of dissolution and of the Company and in the payment of the dividend at the rate specified at the time of issuance.

In 2018, the BOD approved the increase in authorized redeemable preferred shares of 5,380.00 million redeemable preferred shares with a total par value of ₱5,380.00 million. The increase in authorized redeemable preferred shares was approved by the SEC on January 25, 2019. Consequently, deposit for future stock subscription amounting to ₱1,339.20 million was applied to the subscribed redeemable preferred shares.

In 2019, ACEIC subscribed to 475.14 million redeemable preferred shares of the Company with a total par value of ₱475.14 million.

On various dates in 2019, the Company redeemed and thereafter retired 1,814.34 million redeemable preferred shares at par value amounting to ₱1,814.34 million.

In 2019, the BOD approved the increase in authorized redeemable preferred shares of 15,030.28 million redeemable preferred shares with a total par value of ₱15,030.28 million. The increase in authorized redeemable preferred shares was approved by the SEC on January 14, 2020. Consequently, deposit for future stock subscription amounting to ₱15,030.28 million was applied to the subscribed redeemable preferred shares.

The Company incurred transaction costs related to the increase in authorized redeemable preferred shares amounting to ₱150.81 million and ₱34.16 million, in December 31, 2020 and 2019, respectively. These were charged to additional paid-in capital and retained earnings.

*Deposit for future stock subscription*
In 2019, ACEIC subscribed a total of 15,030.28 million redeemable preferred shares of the Company amounting to ₱15,030.28, and is shown as deposit for future stock subscription (classified as equity) because as at December 31, 2019:

a) The unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
b) There is a Board of Directors' approval on the proposed increase in authorized capital stock, for which a deposit was received by the Company;
c) There is a stockholders' approval of said proposed increase; and
d) The application for the increase in capital stock has been filed with the SEC.

Upon approval of the increase in capital stock, the deposit for future stock subscription was applied to the subscribed redeemable preferred shares in 2020.

*Dividend*
On September 19, 2019, the BOD approved the declaration of dividends amounting ₱70.00 million. The declaration date is the same as record date. The payment was made on September 20, 2019.

There were no dividends declared and paid in 2020.

Capital Management
The Company manages its capital structure and makes adjustments as may be necessary, in light of changes in the business and general economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019. The Company considers its total equity as capital.

The Company is not subject to externally imposed capital requirements.

## 9. Income Tax

Provision for income tax consists of:

| | **2020** | 2019 |
|---|---|---|
| Deferred | **₱4,302,903** | (₱2,282,089) |
| Current | **240** | 299,493 |
| Final | **4,045** | 48,534,549 |
| | **₱4,307,188** | ₱46,551,953 |

The reconciliation of statutory income tax to the effective income tax follows:

| | **2020** | 2019 |
|---|---|---|
| Statutory income tax | **(₱6,549,004)** | ₱114,803,359 |
| Tax effect of: | | |
| Movement in unrecognized deferred tax assets | **56,102,442** | (1,621,792) |
| DST | **(45,244,191)** | – |
| Interest income subjected to final tax | **(2,059)** | (183,093) |
| Non-deductible loss on sale of investments | **–** | 76,807,656 |
| Nontaxable dividend income | **–** | (38,783,559) |
| Gain on sale subject to capital gains tax (net of capital gains tax) | **–** | (104,470,618) |
| | **₱4,307,188** | ₱46,551,953 |

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Company has deductible temporary differences that are available for offset against future taxable income for which deferred tax assets have not been recognized as at December 31:

| | **2020** | 2019 |
|---|---|---|
| Unrealized foreign exchange losses | **₱–** | ₱30,478,845 |
| Net operating loss carry-over (NOLCO) | **217,486,185** | – |

The Company has a future taxable income resulting from accrued interest income amounting to ₱22.90 million and ₱10.96 million, as at December 31, 2020 and 2019, respectively, and unrealized gain on foreign exchange amounting to ₱2.40 million and nil, as at December 31, 2020 and 2019, respectively, for which deferred tax liability has been recognized.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) 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.

As at December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

| Year Incurred | Availment Period | Amount | NOLCO Applied Previous Year/s | NOLCO Expired | NOLCO Applied Current Year | NOLCO Unapplied |
|---|---|---|---|---|---|---|
| 2020 | 2021-2025 | ₱217,486,185 | ₱– | ₱– | ₱– | ₱217,486,185 |

## 10. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence.

In the normal course of business, the Company has the following transactions with related parties:

**<u>2020</u>**

| | Elements of transactions | | | | |
|---|---|---|---|---|---|
| | | Outstanding Balance | | | |
| | Amount | Asset | Liability | Terms/Nature | Conditions |
| <u>Parent Company</u> | | | | | |
| Due from related parties | **₱–** | **₱–** | **₱–** | **Non-interest bearing** | **Due and demandable** |
| Due to a related party | **9,463,992** | **–** | **(26,260)** | **Non-interest bearing** | **Due and demandable** |
| Management fees* | **34,131,796** | **–** | **(11,459,451)** | **Expenses** | **–** |
| <u>Entities under common control</u> | | | | | |
| Due from related parties | **(123,293,781)** | **96,717,765** | **–** | **Non-interest bearing** | **Unsecured; no impairment** |
| Due to related parties | **(49,049,313)** | | **(49,049,313)** | **Non-interest bearing** | **Unsecured** |
| | | **₱96,717,765** | **₱60,535,024** | | |
| **Others** | | | | | |
| <u>Entities under common control</u> | | | | | |
| Loan receivable | **–** | **148,545,684** | **–** | **Interest-bearing at 8.00%** | **Payable in 4 years** |
| Interest receivable | **11,943,805** | **23,704,415** | **–** | **Income** | **Payable in 4 years** |
| <u>Other related party</u> | | | | | |
| Cash in bank (BPI) | **77,538,949** | **99,471,494** | | **Interest-bearing** | **Unsecured; no impairment** |
| Interest income | **20,320** | **–** | **–** | **Income** | **–** |

**Management fees represent recoveries of ACEIC for seconded key management personnel to the Company.*

2019

| | Elements of transactions | | | | |
|---|---|---|---|---|---|
| | | Outstanding Balance | | | |
| | Amount | Asset | Liability | Terms/Nature | Conditions |
| Parent Company | | | | | |
| Due from related parties | (₱33,881,549) | ₱23,299,771 | ₱– | Non-interest bearing | Due and demandable |
| Due to a related party | (5,771,498) | – | – | Non-interest bearing | Due and demandable |
| Management fees* | 28,681,874 | – | – | Expenses | – |
| Dividend | 70,000,000 | – | – | Dividends | – |
| Subsidiary | | | | | |
| Retention payable | (8,257,426) | – | – | Non-interest bearing | Due and demandable |
| Entities under common control | | | | | |
| Due from related parties | (382,008,225) | 196,711,775 | – | Non-interest bearing | Unsecured; no impairment |
| | | ₱220,011,546 | ₱– | | |
| **Others** | | | | | |
| Subsidiaries | | | | | |
| Dividend Income | ₱70,000,000 | ₱– | ₱– | Income | – |
| Entities under common control | | | | | |
| Loan receivable | 28,518,150 | 148,545,684 | – | Interest-bearing at 8.00% | Payable in 4 years |
| Interest receivable | 10,960,427 | 11,760,610 | – | Income | Payable in 4 years |
| Gain on sale of investments | 420,908,008 | – | – | Income | – |
| Loss on sale of investment (Note 6) | (256,025,520) | – | – | Expenses | – |
| Associates and Joint Venture | | | | | |
| Dividend income | 236,270,030 | – | – | Income | – |
| Other related party | | | | | |
| Cash in bank (BPI) | 21,932,545 | 21,932,545 | | Interest-bearing | Unsecured; no impairment |
| Interest income | 1,719,779 | – | – | Income | – |

**Management fees represent recoveries of ACEIC for seconded key management personnel to the Company.*

*Loans and interest receivable*
The Company and Bayog Wind Power Corporation (BWPC) entered into a long-term loan agreement for a total of ₱265.00 million with 8.00% interest per annum. As at December 31, 2020 and 2019, total loan drawdown amounted to ₱148.55 million. Interest, accrued daily and compounded annually, is payable together with the principal amount on repayment date on December 3, 2023.

Interest income amounted to ₱11.94 million in 2020 and ₱10.96 million in 2019. Outstanding interest receivable amounted to ₱23.70 million and ₱11.76 million as at December 31, 2020 and 2019, respectively.

*Disposal of investments in subsidiaries, associates, and joint venture*
In 2019, unpaid investment balance in HDP amounting to ₱8.26 million was transferred upon the sale of the Company of its investment in HDP to ACE DevCo. This is a non-cash transaction in the statements of cash flow of the Company (see Note 12).

*Terms and conditions of transactions with related parties*
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash, unless otherwise stated. There have been no guarantees provided or received for any related party receivables or payables. The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

*Key Management Compensation*
The Company's accounting and administrative functions are handled by ACES. The compensation of its key management personnel is paid by ACEIC at no cost to the Company. Hence, the disclosure of compensation for key management personnel, as required by PAS 24, *Related Party Disclosures*, is included in the financial statements of ACEIC.

## 11. **Financial Instruments**

Fair Value Information

The table below presents the carrying amounts and fair values for the Company's financial assets and financial liabilities instruments as at December 31, 2020 and 2019:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial assets** | | | | |
| Cash and cash equivalents | **₱99,977,339** | **₱99,977,339** | ₱165,438,390 | ₱165,438,390 |
| Due from related parties | **96,717,765** | **96,717,765** | 220,011,546 | 220,011,546 |
| Loan receivable | **148,545,684** | **132,214,434** | 148,545,684 | 152,950,453 |
| Interest receivable | **23,704,415** | **23,992,657** | 11,760,610 | 12,109,343 |
| Receivables | **2,421,000** | **2,421,000** | – | – |
| Equity instruments at FVOCI | **2,500** | **2,500** | 2,500 | 2,500 |
| | **₱371,368,703** | **₱355,325,695** | ₱545,758,730 | ₱550,512,232 |
| **Financial liabilities** | | | | |
| Accounts and other payables* | **₱59,478,067** | **₱59,478,067** | ₱9,741,739 | ₱9,741,739 |

**Excluding withholding tax payable amounting to ₱139,686 and ₱123,541 in 2020 and 2019, respectively.*

*Cash and cash equivalent, due from related parties, receivables, accounts and other payables:* Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the statements of financial position.

*Loan and interest receivable:* Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranged from 3.11% to 5.84% in 2020 and 2019. This is a Level 3 valuation technique.

*Equity instruments at fair value through other comprehensive income:* Estimated fair value is based on the discounted value of future cash flows using the applicable discount rates relevant to the industry of investee companies. Interest rates used in discounting cash flows ranged from 10% to 12% in 2020 and 2019. This is a Level 3 valuation technique.

Financial Risk Management Objectives and Policies

The main purpose of the Company's principal financial instruments is to fund its operations. The main risk arising from the use of the financial instruments are credit risk, and liquidity risk.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's holding of financial assets exposes the Company to credit risk of the counterparty. Credit risk management involves dealing only with institutions for which credit limits have been established.

The maximum exposure on the Company's financial assets is equivalent to their respective carrying amount.

The credit quality of the Company's financial assets is of high grade which pertains to financial assets with high credit-worthiness and the probability of default is minimal.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The Company monitors its cash flow position and overall position in assessing its exposure to liquidity risk. The Company maintains a level of cash in bank deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

As at December 31, 2020 and 2019, the Company monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

**December 31, 2020**

| | **On demand** | **1 to 3 Months** | **3 to 6 months** | **6 to 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalent (Note 4) | **₱99,977,339** | **₱–** | **₱–** | **₱–** | **₱–** | **₱99,977,339** |
| Due from related parties | **96,717,765** | – | – | – | – | **96,717,765** |
| Receivables | **2,421,000** | – | – | – | – | **2,421,000** |
| Loan receivable (Note 10) | – | – | – | – | **148,545,684** | **148,545,684** |
| Interest receivable (Note 10) | – | – | – | – | **23,704,415** | **23,704,415** |
| Equity instruments at FVOCI (Note 5) | **2,500** | – | – | – | – | **2,500** |
| | **₱199,118,604** | **₱–** | **₱–** | **₱–** | **₱172,250,099** | **₱371,368,703** |
| **Financial liabilities** | | | | | | |
| Accounts and other payables (Note 7)* | **60,624,390** | – | – | – | – | **₱60,624,390** |
| | **₱138,494,14** | **₱–** | **₱–** | **₱–** | **₱172,250,099** | **₱310,744,313** |

**Excluding statutory payables amounting to ₱139,686*

December 31, 2019

| | On demand | 1 to 3 Months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and cash equivalent (Note 4) | ₱22,438,390 | ₱143,000,000 | ₱– | ₱– | ₱– | ₱165,438,390 |
| Due from related parties | 220,011,546 | – | – | – | – | 220,011,546 |
| Loan receivable (Note 10) | – | – | – | – | 152,950,453 | 152,950,453 |
| Interest receivable (Note 10) | – | – | – | – | 11,760,610 | 11,760,610 |
| Equity Instruments at FVOCI (Note 5) | 2,500 | – | – | – | – | 2,500 |
| | ₱242,452,436 | ₱143,000,000 | ₱– | ₱– | ₱164,711,063 | ₱550,163,499 |
| Financial liabilities | | | | | | |
| Accounts and other payables (Note 7)* | ₱9,741,739 | ₱– | ₱– | ₱– | ₱– | ₱9,741,739 |
| | ₱232,710,697 | ₱143,000,000 | ₱– | ₱– | ₱165,059,796 | ₱540,421,760 |

**Excluding statutory payables amounting to ₱123,541*

## 12. Notes to Statements of Cash Flows

In 2020, the Company has unrealized foreign exchange gain amounting to ₱2.41 million, which is divided into cash and cash equivalents and due from a related party with ₱0.02 million gain and ₱2.39 million gain, respectively.

In 2019, the Company has unrealized foreign exchange gain amounting to ₱37.47 million, which is divided into cash and cash equivalents and due from a related party with ₱67.95 million gain and ₱30.48 million loss, respectively.

The tables below show the reconciliation of cash flows arising from acquisition and disposals of investments in subsidiaries, associates and joint ventures:

| | **2020** | 2019 |
|---|---|---|
| Total acquisitions during the year | **₱51,130,000** | ₱15,656,603,930 |
| Acquisition through conversion of advances | **–** | (563,220,000) |
| Cash outflows for acquisitions of investments | **₱51,130,000** | ₱15,093,383,930 |

| | 2019 |
|---|---|
| Total cost of disposals during the year | ₱2,331,171,701 |
| Gain on sale of investments during the year | 420,908,008 |
| Transfer of unpaid balance of sold investment to related party (non-cash) | (8,257,426) |
| Unpaid consideration on sale of investments (non-cash) | (195,000,000) |
| Loss on sale of investments during the year | (256,025,520) |
| Cash inflows from disposal of investments | ₱2,292,796,763 |

## 13. Other Matters

In December 2019, an outbreak of the novel coronavirus disease (“COVID-19”) occurred in China and spread to other countries, including the Philippines. COVID 19 is foreseen to have an adverse effect on economic activity in the Philippines and could materially and adversely affect the Parent Company’s business, financial condition and results of operations.

In a move to contain the spread of COVID-19, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposing an enhanced community quarantine (“ECQ”) throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. The ECQ was extended until May 15, 2020 and during this period, power demand fell by approximately 30%, reflecting the decline in power use by shuttered businesses. Since then, various community quarantine measures or modifications of the ECQ have been imposed throughout the country.

As part of its measures to address the impact of the pandemic, the Philippine Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the “Bayanihan Act”) into law, which confers emergency powers on the President of the Philippines and subsequently, the Bayanihan to Recover as One Act (the “Bayanihan 2 Act”). The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country’s COVID-19 response and recovery plan, and to scrutinize the government’s implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until December 19, 2020. Such powers include the authority to adopt measures to “conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same.” In addition, the Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments.

*Business Impact*
COVID-19 and the various measures to contain it have caused disruptions to businesses and economic activities globally. The resulting drop in demand for electricity drove oil prices lower in the global upstream petroleum industry, adversely affected the businesses of oil players and service providers, and limited transport of goods and services and movement of personnel. The Company has no active service contract (SC) as at December 31, 2020, therefore, the Company was not significantly affected.

*House of Representatives ratifies Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act*

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company

As at report date, the following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 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%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as at December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as at December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Company for CY2020 is 1.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as at December 31, 2020, amounting to ₱180 and ₱180, respectively, or a reduction of ₱60. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as at December 31, 2020 and provision for deferred tax for the year then ended by ₱6,958,445 and ₱358,575, respectively. These reductions will be recognized in the 2021 financial statements.

## 14. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on the taxes and license fees paid or accrued during the taxable year.

Output VAT
The Company is a VAT-registered company and has zero output VAT declaration for the year as it has no vatable revenue for the year 2020.

Input VAT
The amount of net input VAT claimed are broken down as follows:

| | |
|---|---|
| Balance at January 1 | ₱4,478,563 |
| Current year's domestic purchases/payments for services | 4,127,593 |
| Balance at December 31 | ₱8,606,156 |

Taxes and Licenses
The following are the taxes, licenses and permit fees:

| | |
|---|---|
| *Lodged in equity* | |
| Documentary stamp tax (DST) | ₱150,813,969 |
| | |
| *Lodged in statement of comprehensive income* | |
| Business permits | 36,342 |
| Community tax certificate | 10,500 |
| Bureau of Internal Revenue (BIR) registration fee | 500 |
| Others | 36,260 |
| | ₱150,897,571 |

Withholding Taxes
The Company's withholding taxes paid/accrued for the year consisted of:

| | |
|---|---|
| Expanded withholding taxes | ₱3,729,646 |

The outstanding withholding taxes payable amounted to ₱139,685 as at December 31, 2020 and included in accounts and other payables.

Tax Assessments
The Company has no deficiency tax assessments, whether protested or not. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as at December 31, 2020.