IMPORTANT NOTICE

THIS PROSPECTUS IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE PHILIPPINE STOCK EXCHANGE, INC. MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE PROSPECTUS.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

FINAL PROSPECTUS **As of 24 August 2022**

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION

(Incorporated in the Republic of the Philippines)

Prospectus relating to the Rights Offer of 1,875,649,995 Common Shares with a par value of ₱0.10 per Common Share to be offered at the Offer Price of ₱1.50 per Rights Share at a ratio of One (1) Rights Share for every One and 28/100 (1.28) Common Shares held as of the Record Date of 25 August 2022 to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Joint Issue Managers and Joint Lead Underwriters

Abacus Capital and Investment Corporation **China Bank Capital Corporation**

Participating Underwriter

THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC" OR THE "COMMISSION") UNDER THE SECURITIES REGULATION CODE ("SRC"). ANY FUTURE OFFER OR SALE OF THE SECURITIES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

A CONFIRMATION THAT THE OFFER FOR SUBSCRIPTION OF THE RIGHTS SHARES IS A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS UNDER SECTION 10.1 OF THE SRC AND ITS IMPLEMENTING RULES AND REGULATIONS WAS OBTAINED ON 19 JULY 2022.

THE ISSUANCE OF THIS CONFIRMATION OF EXEMPTION DOES NOT REQUIRE THE SEC TO REVIEW THIS PROSPECTUS IN THE SAME MANNER AS THE FULL REVIEW OF AN APPLICATION FOR REGISTRATION OF SECURITIES BASED ON A FILED REGISTRATION STATEMENT UNDER THE SRC.

THE SEC HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE AND SHOULD BE REPORTED IMMEDIATELY TO THE SEC. THE COMMISSION HAS NOT REVIEWED THIS PROSPECTUS IN THE SAME MANNER AS THAT FILED FOR REGISTRATION CONSIDERING THAT THE ACTION SOUGHT IS ONLY CONFIRMATION OF AN EXEMPT TRANSACTION.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION

(A corporation duly organized under the laws of the Republic of the Philippines)
20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226
Telephone Number: (+632) 8817-2585
Email Address: ir@spnec.ph
www.spnec.ph

This Prospectus relates to the stock rights offer of One Billion Eight Hundred Seventy-Five Million Six Hundred Forty-Nine Thousand Nine Hundred Ninety-Five (1,875,649,995) Common Shares (the "**Rights Shares**") with a par value of Ten Centavos (₱0.10) per Common Share of Solar Philippines Nueva Ecija Corporation ("**SPNEC**", the "**Company**", or the "**Issuer**"), a corporation organized under the laws of the Philippines and traded on The Philippine Stock Exchange, Inc. ("**PSE**").

AS OF THE DATE OF THIS PROSPECTUS ("PROSPECTUS DATE"), SPNEC HAS NO OPERATING HISTORY AND TRACK RECORD. AS A COMPANY IN THE RENEWABLE ENERGY BUSINESS, SPNEC IS LISTED ON THE MAIN BOARD OF THE PSE UNDER THE SUPPLEMENTAL LISTING AND DISCLOSURE REQUIREMENTS FOR PETROLEUM AND RENEWABLE ENERGY COMPANIES OF THE PSE CONSOLIDATED LISTING AND DISCLOSURE RULES,[1] WHICH PROVIDE EXEMPTION FROM THE TRACK RECORD AND OPERATING HISTORY REQUIREMENTS OF THE PSE.

The offer of the Rights Shares to SPNEC's eligible existing common shareholders (the "**Eligible Shareholders**")[2] will be at the ratio of one (1) Rights Share for every One and 28/100 (1.28)[3] existing Common Shares (the "**Entitlement Shares**") held as of 25 August 2022 (the "**Record Date**") at a price of One and 50/100 Pesos (₱1.50) per Rights Share (the "**Offer Price**"), or for an aggregate offer amount of Two Billion Eight Hundred Thirteen Million Four Hundred Seventy-Four Thousand Nine Hundred Ninety-Two and 50/100 Pesos (₱2,813,474,992.50) (the "**Rights Offer**"). See "Determination of Offer Price" on page 80 of this Prospectus. Any fractional share shall be disregarded in the computation of the Entitlement Shares to which Eligible Shareholders will be entitled. Eligible Shareholders will not be entitled to fractions of their Entitlement Shares which will be rounded down to the nearest whole number of Entitlement Shares. Such fractions will be aggregated and sold for the Company's benefit. The Offer will not include secondary shares.

If an Eligible Shareholder fully subscribes for his Entitlement Shares, such Eligible Shareholder may simultaneously apply for an additional subscription for Additional Rights Shares, subject to the availability of Additional Rights Shares. If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for by all Eligible Shareholder applicants, each applicant for Additional Rights Shares shall be allocated the number of Additional Rights Shares indicated in his or her duly accomplished application to subscribe and purchase form ("**Application**" or "**ATP**"). If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for by all Eligible Shareholder applicants, the available Additional

[1] Supplemental Rule 2 – PSE Memorandum LA-No. 2011-0032 dated 1 September 2011 re: Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies
[2] For purposes of this Offer, Solar Philippines Power Project Holdings, Inc., the Principal Shareholder, opted to waive its right to subscribe to the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer to provide maximum availability of Rights Shares to minority Eligible Shareholders.
[3] Based on the number of public shares, divided by the number of the Company's unissued shares, rounded up to the nearest whole number.

Rights Shares shall be allocated among all Eligible Shareholder applicants who have applied for such Additional Rights Shares at the discretion of the Company taking into account various factors including each Eligible Shareholder applicant's original shareholdings in the Company as of Record Date relative to the original shareholdings of all other applicants for Additional Rights Shares as of such Record Date, provided that no Eligible Shareholder applicant for Additional Rights Shares shall be allocated Additional Rights Shares that are more than the number applied for by such applicant. No guarantee is given on the number of Additional Rights Shares an Eligible Shareholder applicant may be allocated. A subscription for Additional Rights Shares is irrevocable, and the Eligible Shareholder applicant may not cancel or modify it without the written consent of the Issuer.

Abacus Capital and Investment Corporation ("**Abacus Capital**") and China Bank Capital Corporation ("**China Bank Capital**"), as the Joint Issue Managers and Joint Lead Underwriters (collectively the "**Joint Issue Managers and Joint Lead Underwriters**") and Investment & Capital Corporation of the Philippines, as the Participating Underwriter ("**ICCP**" or the "**Participating Underwriter**"), (collectively the "**Underwriters**") will firmly underwrite the Offer in accordance with the Underwriting Agreement entered into with the Company. To the extent that any Rights Shares remain unsubscribed after the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers, as such term is defined in the 2015 Implementing Rules and Regulations of the Securities Regulation Code (as amended), to subscribe to such Rights Shares (the "**QB Take-Up**"), as set out in the "Plan of Distribution-The QB Take-Up" found on page 85 of this Prospectus.

Solar Philippines Power Project Holdings Inc. (**"SPPPHI"**) and Countryside Investments Holdings Corporation (an affiliate of SPPPHI or **"CIHC"**), which collectively own 70.46% of the Issuer's outstanding capital stock as of the Record Date, will not participate in the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer to provide maximum availability of Rights Shares to minority Eligible Shareholders. Please see "Summary of the Offer – Rights Entitlement Ratio" on page 18 and "Plan of Distribution – The Offer" on page 84 of this Prospectus. SPPPHI has committed to subscribe for all Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up to ensure that all Rights Shares are fully subscribed under the same applicable terms and conditions in the Offer (the "**Principal Shareholder's Undertaking**"). This shall be subject to the right of the Company to reduce SPPPHI's subscription if it will breach any required minimum public ownership. The take-up of the Principal Shareholder of any Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up shall be on the last day of the period for the QB Take-Up (the "**Sweep Period**").

The Underwriters' firm commitment is to subscribe for all Rights Shares that remain unsubscribed by SPPPHI after the QB Take-Up pursuant to the Principal Shareholder's Undertaking. The Company agrees to hold the Underwriters and their respective shareholders, officers, employees, and authorized representatives free and harmless against any and all claims, liabilities, and judgments arising from or in connection with their underwriting of the Offer subject to the terms of the Underwriting Agreement. Refer to the "Plan of Distribution" section on page 84 of this Prospectus.

As of Prospectus Date, the Company's authorized capital stock ("**ACS**") is 10,000,000,000 Common Shares. Prior to the Offer, 8,124,350,005 Common Shares are outstanding. Immediately after the Offer, SPNEC's outstanding capital stock will comprise 10,000,000,000 Common Shares. Per the Company's Articles of Incorporation, stockholders are not entitled to any pre-emptive right to subscribe for all issues or disposition of shares of any class of the Company.

Since SPNEC is engaged in the ownership of land and/or the exploration, development, or utilization of natural resources, foreign ownership of the Company's shares is limited by laws and regulations

to a maximum of (a) 40% of its total outstanding capital stock entitled to vote in the election of directors; and (b) 40% of its total outstanding capital stock, whether or not entitled to vote in the election of directors.

The Company's Common Shares are listed on the PSE under the symbol "SPNEC". On 23 August 2022, the closing price of SPNEC was ₱1.67. The Company files annual and interim reports, as well as other information, with the PSE (where its Common Shares are listed). The information filed by the Company with the PSE does not form part of this Prospectus, is not incorporated by reference herein, and should not be relied on when making an investment decision with respect to the Rights Shares. Please see the sections "Summary of the Offer" on page 15 of this Prospectus and "Philippine Foreign Investment, Exchange Controls, and Foreign Ownership" on page 213 of this Prospectus.

The Company estimates net proceeds, after deducting fees and expenses from the gross proceeds, to amount to Two Billion Seven Hundred Ninety-Five Million Two Hundred Fifty Thousand One Hundred Eighty-Eight Pesos (₱2,795,250,188.50) assuming all the Rights Shares are subscribed during the Rights Offer and the QB Take-Up. The net proceeds from the Offer are intended for project development (including the securing of land and off-take agreements) and general corporate purposes. The Company will not use any net proceeds from the Offer to repay any indebtedness to the Underwriters. Please refer to the section "Use of Proceeds" on page 65 of this Prospectus.

The Company offers two options for the payment of the total subscription price for the Rights Shares:

a. Option 1 – full payment of the total subscription price upon submission of the Application; and

b. Option 2 – installment payment, with a down payment of 25% of the total subscription price for the Rights Shares upon submission of the Application, and the balance of 75% of the total subscription price to be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the Offer Period for Eligible Shareholders (i.e., from 6 September 2022 to 5 December 2022); within three months from the end of the QB Take-Up for the Qualified Buyers; and within three months from the end of the Sweep Period for the Principal Shareholder.

For Option 2, in case of any non-payment of the balance of 75% of the total subscription price on the relevant due date, the Company reserves the right to extend the payment period for partially-paid Rights Shares prior to declaring them delinquent, subject to such terms as the Company may determine at its sole discretion, provided that, no extension shall be for more than a period of three months from the end of the initial installment period, and the Company reserves the right to impose penalties for shares paid for during this extension period. All delinquent Rights Shares will be sold at auction pursuant to law. In case there are no bidders at such auction, SPNEC may purchase the delinquent Rights Shares, in which case they shall become treasury shares. In case of sale of delinquent Rights Shares, down payments made shall be forfeited in favor of SPNEC.

Rights Shares that are fully-paid pursuant to Option 1 within the Offer Period for Eligible Shareholders, QB Take-Up for Qualified Buyers, and the Sweep Period for the Principal Shareholder, as applicable, will be listed and made available for trading on the expected Listing Date, subject to compliance with applicable post-approval conditions. Partially-paid Rights Shares pursuant to Option 2 will be listed and made available for trading only after full payment thereof; compliance with the relevant post-approval requirements of the PSE, Philippine National Bank acting through its Trust Banking Group as the Transfer Agent, and/or the PDTC; and the submission to the PSE of the PDTC's written confirmation of the actual lodgment of the fully–paid Rights Shares.

See section "Plan of Distribution" of the Prospectus starting on page 84.

All outstanding Common Shares of the Company and the Rights Shares issued or to be issued pursuant to the Offer have, or upon issuance will have, identical rights and privileges. Please refer to subsection "Description of Securities – Rights Relating to the Common Shares" starting on page 55 of this Prospectus.

The Company is authorized to distribute dividends out of its unrestricted retained earnings, in cash, properties of the Company, and/or shares of stock of the Company. Dividends paid, in the form of cash or property, are subject to approval by the Company's board of directors ("**Board of Directors**" or the "**Board**"). Stock dividends are subject to Board approval and the approval of stockholders representing at least two-thirds ($^2/_3$) of the Company's outstanding capital stock. The Revised Corporation Code ("**RCC**") defines "outstanding capital stock" as the total shares of stock issued, whether or not paid in full, except treasury shares. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Common Shares. The Company has not declared any dividend to its shareholders for the past three years. On 6 September 2021, the Board of Directors resolved to adopt and maintain a dividend policy that gives the Board of Directors the discretion to declare dividends as it sees fit after considering the funding requirements for future projects, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Company's covenants, if any, and other circumstances that may restrict the payment of dividends. There can be no guarantee that the Company will pay any dividends in the future. Dividends may be declared only from the Company's unrestricted retained earnings. Please see "Dividends and Dividend Policy" on page 78 of this Prospectus.

The Company reserves the right to withdraw the offer and sale of the Rights Shares at any time before the end of trading on the day immediately preceding the Ex-Date. In such case, the Company shall make the necessary disclosures to the SEC and the PSE.

The Company may withdraw the offer and sale of the Rights Shares at any time on or after the end of trading on the day immediately preceding the Ex-Date and prior to listing of the Rights Shares on the PSE if any of the termination events set out under "Summary of the Offer – Withdrawal of the Offer" of this Prospectus occur.

No dealer, salesperson, or any other person has been authorized by the Company or the Underwriters to issue any advertisement or to give information or make any representation in connection with the Offer other than those contained in this document, and if issued, given, or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Underwriters. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

This Prospectus has been authorized for circulation and distribution only in the Philippines. The distribution of this Prospectus and the offer of the Rights Shares may be restricted by law in certain jurisdictions. The Company and the Underwriters require persons into whose possession this Prospectus comes to inform them of and observe all such restrictions. Eligible Shareholders should also inform themselves on any taxation or legislation affecting them personally and should consult their professional advisers with respect to the acquisition or disposition of the Rights Shares.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein, and is as of 24 August 2022. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof. Unless otherwise stated, the information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Offer. After having made all reasonable inquiries and to the best of its knowledge and belief, the Company confirms that the information contained in this Prospectus is accurate, complete, and correct, and that there is no material statement or omission of fact that would make any statement in this Prospectus misleading in any material respect. Except for the information pertaining to Abacus Capital and China Bank Capital as the Joint Issue Managers and Joint Lead Underwriters and ICCP as the Participating Underwriter, the Company hereby accepts responsibility for the accuracy of the information contained in this Prospectus.

The Underwriters have exercised due diligence in ascertaining that all material representations contained in this Prospectus, including its amendments and supplements as of Prospectus Date, are true and correct, and that no material information was omitted that was necessary in order to make the statements contained in the aforementioned documents not misleading in any material respect. Nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters or any of its respective affiliates. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Rights Shares is prohibited. Each prospective investor of the Rights Shares, by accepting the delivery of this Prospectus, agrees to the foregoing. Except for failure to exercise the required due diligence review on the Issuer, the Underwriters assume no liability for any information supplied in this Prospectus. The Underwriters have agreed to not receive any underwriting fees, the underwriting being a technical compliance undertaken pursuant to the requirements of the PSE.

Before making an investment decision, prospective investors are advised to carefully consider the risks associated with the investment in the Rights Shares and must conduct their own evaluation of the Company and the terms and conditions of the Offer, including the merits and risks involved. The risks include:

- Risks Relating to the Company and its Solar Business;
- Risks Relating to the Philippines;
- Risks Relating to the Offer and the Rights Shares; and
- Risks Relating to the Presentation of Information in this Prospectus.

Please refer to the section entitled "Investment Considerations and Risk Factors" starting on page 41 of this Prospectus. Investors who wish to subscribe for the Rights Shares are also enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Rights Shares described herein.

Certain market and industry data used throughout this Prospectus were obtained from internal surveys, market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Underwriters make any representation as to the accuracy of such information.

This Prospectus includes certain forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events, and operating, market, and financial trends affecting its business. Words including, but not limited to, "believes", "may", "will", "estimates", "continues", "anticipates", "intends", "expects", "forecasts", and similar words are intended to identify forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The Company's actual results could differ substantially from those anticipated in the Company's forward-looking statements. The Company does not give any assurance that such forward-looking statements will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Investment Considerations and Risk Factors" beginning on page 41, important factors that could cause actual results to differ materially from expectations. Forward-looking statements contained herein are qualified by these cautionary statements.

On 8 April 2022, the Company filed with the SEC an application for Confirmation of Exempt Transaction covering the Common Shares to be issued relative to the Offer, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code ("**SRC**") under which the exemption is based. The SEC issued a Confirmation of Exempt Transaction on 19 July 2022.

The Company filed its application for listing and trading of the Rights Shares with the PSE on 3 June 2022. On 28 July 2022, the Company received the Notice of Approval from the PSE for the Offer, with listing approval subject to compliance with certain listing conditions. Such an approval is permissive only and does not constitute a recommendation or endorsement by the PSE of the Rights Shares. Furthermore, the PSE assumes no responsibility in the correctness of any statement made or opinions expressed in this Prospectus. The PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or in part on the contents of this Prospectus.

For investor relation matters, investors may contact Mr. Gino Antonio C. Cruz, the Company's Investor Relations Officer, through this email address ir@spnec.ph.

The Rights Shares are offered subject to the receipt and acceptance of any order by the Company and subject to the Company's right to reject any order in whole or in part. It is expected that the Rights Shares will be delivered in book-entry form against full payment thereof to the Philippine Depository & Trust Corp. on 15 September 2022.

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THE OFFER OF SECURITIES IS EXEMPT PURSUANT TO SECTIONS 10.1 OF THE SRC AND, ACCORDINGLY, THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE SEC UNDER THE SRC AND ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION

By:

LEANDRO ANTONIO L. LEVISTE
Chairman, President, and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this AUG 24 2022 at MAKATI CITY, Metro Manila, affiants exhibiting the following:

Affiant	Type of ID and ID Number
Leandro Antonio L. Leviste	TIN 431-023-685

Doc. No. 343;
Page No. 70;
Book No. 40
Series of 2022.

SHERLUCK JUN C. VILLEGAS
NOTARY PUBLIC
ROLL NO. 70942
MAKATI CITY, PHILIPPINES

ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-280 until Dec. 31, 2022
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942
IBP No. 244853 / 06-30-2022/ Pasig City
PTR No. 8652016 / 01-03-2022/ Makati City
MCLE Compliance No. VII-0020869/April 14, 2025

CONVENTIONS USED IN THE PROSPECTUS

In this Prospectus, all references to the "Company", the "Issuer", and "SPNEC" are to Solar Philippines Nueva Ecija Corporation or to the latter and its affiliates, as the context requires.

All references to the "Philippines" are references to the Republic of the Philippines. All references to "SEC" are references to the Philippine Securities and Exchange Commission. All references to the "BSP" are references to the Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to "Philippine Peso", "Pesos", "Php", "PHP", or "₱" are to the lawful currency of the Philippines. A specific time of day refers to Philippine Standard Time.

Certain terms used herein are defined in the section "Glossary of Terms" beginning on page 1 of this Prospectus. Items in the "Glossary of Terms" may be defined otherwise by appropriate government agencies or laws, rules, or regulations from time to time, or by conventional or industry usage.

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STA. ROSA NUEVA ECIJA 2 SOLAR POWER PROJECT FEASIBILITY STUDY

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following words or expressions shall have the following meanings:

GLOSSARY OF GENERAL TERMS AND TERMS RELATED TO THE OFFER	
"Abacus Capital"	Abacus Capital and Investment Corporation
"ACS"	Authorized Capital Stock
"Additional Rights Shares"	Unsubscribed Rights Shares that Eligible Shareholders have failed to fully subscribe for based on their Entitlement Shares, which are available for additional subscription by other Eligible Shareholders who have, based on the number of their Entitlement Shares, fully exercised their right to subscribe for Rights Shares in the First Round of the Rights Offer
"AOI" and "By-Laws"	Articles of Incorporation and By-Laws of the Company, respectively
"APIC"	Additional Paid-In Capital Stock
"Applicant"	A person, whether natural or juridical, who seeks to subscribe for the Rights Shares by submitting an Application under the terms and conditions prescribed in this Prospectus
"Application" or "ATP"	The application form to subscribe for and purchase the Rights Shares under the Offer
"Banking Day"	Any day, except Saturdays, Sundays, and holidays when banks are not required to do business, or are authorized by law to close for business in the City of Makati, Metro Manila
"BIR"	Bureau of Internal Revenue
"Board of Directors" or the "Board"	The board of directors of the Company
"Book Value"	Equal to an asset's carrying value on the balance sheet, calculated by netting the asset against the accumulated depreciation. Can also be thought of as the net asset value of a company calculated as total assets minus liabilities

"BSP"	Bangko Sentral ng Pilipinas or the Central Bank of the Philippines
"CAGR" or "Compounded Annual Growth Rate"	The year-over-year growth rate of an investment over a specified period, calculated by taking the n^{th} root of the total percentage growth rate, where n is the number of years in the period being considered
"CEO"	Chief Executive Officer
"China Bank Capital"	China Bank Capital Corporation
"CIHC"	Countryside Investments Holdings Corporation
"Common Shares" or "Shares"	The shares of common stock of the Company with a par value of ₱0.10 per share, including the Rights Shares
"DP"	PDTC Depository Participant
"DST"	Documentary Stamp Tax
"Earnings per Share"	The result of dividing the Net Income after Tax account of the Company by the total number of Common Shares outstanding
"EBITDA"	Earnings before interest, taxes, depreciation, and amortization
"Eligible Shareholders"	All registered shareholders of the Company as of Record Date who are entitled to subscribe for Rights Shares based on the number of their Entitlement Shares[4][5]
"Entitlement Shares"	One (1) Rights Share for every One and 28/100 (1.28) existing Common Shares held as of Record Date
"Ex-Date"	The date set by the Exchange starting from which the buyer is no longer entitled to participate in the Rights Offer, computed as three (3) Trading Days before the announced Record Date
"First Round of the Rights Offer"	Rights Offer process in relation to the Entitlement Shares
"ICCP" or the "Participating Underwriter"	Investment & Capital Corporation of the Philippines

[4] For purposes of this Offer, SPPPHI opted to waive its right to subscribe to the mandatory First Round and the mandatory Second Round of the Rights Offer.

[5] The latest date that anyone who is not already a shareholder of SPNEC may purchase Common Shares on the PSE in order to qualify as an Eligible Shareholder is 19 August 2022. Persons, whether natural or juridical, who purchase shares starting 22 August 2022, being the Ex-Date, will not qualify as Eligible Shareholders.

"Joint Issue Managers and Joint Lead Underwriters"	Abacus Capital and Investment Corporation and China Bank Capital Corporation
"Listing Date"	15 September 2022, or the date on which fully-paid Rights Shares shall be listed with the PSE
"Offer"	Rights Offer and the QB Take-Up, collectively.
"Offer Period"	The offer period for the Rights Offer to the Eligible Shareholders beginning on 30 August 2022 at 9:00 a.m. and ending on 5 September 2022 at 12:00 noon. The Underwriters shall procure Qualified Buyers to participate in the QB Take-Up for a period of two Trading Days following the end of the Offer Period. The take-up of the Principal Shareholder of any Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up shall be on the last day of the period for the QB Take-Up (the "Sweep Period").
"Offer Price"	Offer Price of ₱1.50 per Rights Share
"₱" or "Pesos"	Philippine Peso, or lawful currency of the Republic of the Philippines
"PAS"	Philippine Accounting Standards
"PCD Nominee"	PCD Nominee Corporation
"PDTC"	Philippine Depository & Trust Corp.
"PFRS"	Philippine Financial Reporting Standards
"PIC"	Provincia Investments Corporation
"Picazo Law"	Picazo Buyco Tan Fider & Santos
"PNB Trust"	Philippine National Bank acting through its Trust Banking Group – Fiduciary Services Division
"Principal Shareholder's Undertaking"	The Principal Shareholder's irrevocable and absolute commitment to subscribe for all Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up to ensure that all the Rights Shares are fully subscribed under the same applicable terms and conditions in the Offer.
"Prospectus"	This Prospectus dated 24 August 2022 filed by the Company with the SEC and PSE and circulated in connection with the Offer.

"Prospectus Date"	The date of this Prospectus
"PSE" or the "Exchange"	The Philippine Stock Exchange, Inc.
"PSE Main Board"	The trading board of the PSE designated by it as the "Main Board", which requires, generally, that, to be listed on it, a company must have an equity of at least ₱500 million in the fiscal year immediately preceding the filing of the listing application, among other listing requirements pursuant to the PSE Amended Main and SME Board Listing Rules and Article III, Part D of the Consolidated Listing and Disclosure Rules.
"PSE Amended Listing Rules"	The PSE Amended Main and SME Board Listing Rules
"PSE EDGE"	PSE Electronic Disclosure Generation Technology, the PSE's fully automated system that facilitates the processing, validation, submission, distribution, and analysis of time-sensitive disclosure reports submitted to the PSE
"PSE Trading Participants" or "TPs"	Duly licensed securities brokers who are active trading participants of the PSE
"Qualified Buyers"	Qualified Buyers as defined under Rule 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC, as amended
"QB Take-Up"	Offer process in relation to the offer to Qualified Buyers
"Receiving Agent"	Philippine National Bank acting through its Trust Banking Group
"Record Date"	Represents the date after at least 15 Trading Days from the date of the PSE approval of the Offer listing application
"Revised Corporation Code" or the "RCC"	Republic Act No. 11232 entitled "An Act Providing for the Revised Corporation Code of the Philippines"
"Rights Entitlement Ratio"	One (1) Rights Share for every One and 28/100 (1.28) Common Shares held as of Record Date
"Rights Offer"	The offer for subscription to Eligible Shareholders of the Rights Shares under the terms and conditions contained in the Prospectus and the Application
"Rights Shares"	The 1,875,649,995 Common Shares of the Company being offered to Eligible Shareholders at the Rights Entitlement Ratio, which will be issued out of the Company's unissued authorized capital stock

"SEC" or the "Commission"	Securities and Exchange Commission of the Philippines
"Second Round of the Rights Offer"	Offer Process in relation to the Additional Rights Shares
"SGV & Co."	SyCip Gorres Velayo & Co., the Company's external auditor
"Solar Philippines Group" or the "SP Group"	The group of companies of which Mr. Leandro Antonio L. Leviste is the legal or beneficial controlling shareholder, comprising multiple companies including the Company and its affiliates, with operations covering the development, construction, and operation of solar power plants
"SPNEC," the "Company," or the "Issuer"	Solar Philippines Nueva Ecija Corporation
"SPPPHI" or "Principal Shareholder" or "Parent Company"	Solar Philippines Power Project Holdings, Inc.
"SRC"	Republic Act. No. 8799 or the Securities Regulation Code
"Sweep Period"	The take-up of the Principal Shareholder of any Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up, which shall be on the last day of the period for the QB Take-Up
"Trading Day"	Any day on which trading is allowed in the PSE.
"Transfer Agent"	Philippine National Bank acting through its Trust Banking Group
"Underwriters"	Collective term for the Joint Issue Managers and Joint Lead Underwriters and the Participating Underwriter
"Underwriting Agreement"	The agreement between the Issuer and the Underwriters appointing Abacus Capital and Investment Corporation and China Bank Capital Corporation as the Joint Issue Managers and Joint Lead Underwriters and Investment & Capital Corporation of the Philippines as the Participating Underwriter.
"VAT"	Value-Added Tax
"VWAP"	Volume Weighted Average Price

GLOSSARY OF OTHER TERMS AND ABBREVIATIONS	
"AC" or "Alternating Current"	The flow of charge that changes direction periodically, which results in the voltage level reversing along with the current. AC is used to deliver power to end-users.
"ACEN"	ACEN Corporation
"AEC"	Angeles Electric Corporation
"Captive Market"	Electricity end-users who do not have the choice of a supplier of electricity, as may be determined by the ERC in accordance with the EPIRA and other existing rules and regulations
"CC" or "Contestable Customer"	Electricity end-users who have the choice of a supplier of electricity, as may be determined by the ERC in accordance with the EPIRA and other existing rules and regulations
"Certificate of Finality"	The certificate issued by the DAR to a requesting party interested to have the subject decision be entered in the registry book of judgment that has become final and executory
"COCOC"	Certificate of Confirmation of Commerciality issued by the DOE
"Conversion Order"	Conversion Order or land use conversion order is issued by the DAR giving the authority to modify the current physical use of a parcel of agricultural land for a non-agricultural purpose such as industrial.
"CSP" or "Competitive Selection Process"	A transparent manner of procurement in which DUs buy electricity from power generators for their captive market. It assures that such supply is bought and passed on to consumers at the least possible cost
"DA"	Department of Agriculture
"DAR"	Department of Agrarian Reform
"DC" or "Direct Current"	An electric current flowing in only one direction
"DENR"	Department of Environment and Natural Resources
"Development/Commercial Stage"	Stage of RE Contract that involves the development, production, or utilization of renewable energy resources, including the construction and installation of relevant facilities up to the operation phase of the RE facilities

"Dispatch"	The process of apportioning the total demand of the grid through the issuance of dispatch instructions to the scheduled generating units and the generating units providing ancillary services in order to achieve the operational requirements of balancing demand with generation that will ensure the security of the grid as defined in the Philippine Grid Code
"DOAS"	Deed of Absolute Sale
"DOE"	Department of Energy
"DU"	Refers to a Distribution Utility as defined in the EPIRA
"EC"	Refers to an Electric Cooperative as defined in the EPIRA
"ECC"	Environmental Compliance Certificate issued by the DENR
"EMB"	The Environmental Management Bureau of the DENR
"EPC" or "Engineering, Procurement, Construction"	Form of contracting agreement whereby the EPC contractor has to execute and deliver the project within an agreed time and budget on a turnkey basis
"EPIRA" or "RA 9136"	RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", as amended from time to time, and including the rules and regulations issued thereunder
"EPIRA IRR"	The Implementing Rules and Regulations of the EPIRA promulgated on 27 February 2002 with a view of implementing the EPIRA's objectives
"ERC"	Energy Regulatory Commission (formerly the Energy Regulatory Board) created pursuant to the EPIRA
"Financial Closing"	Refers to the stage when the RE Developer has established, based on the lending bank's criteria and procedures, its financial capability to implement its RE project
"GEAP"	Green Energy Auction Program
"Government"	The government of the Republic of the Philippines, including any and all of its departments, subdivisions, bureaus, commission, offices, agencies, units, and instrumentalities as defined by the Philippine Constitution of 1987 and the Revised Administrative Code of the Philippines, as may be amended from time to time.

"Grid"	The Philippines' high voltage backbone system of interconnected transmission lines, substations, and related facilities
"Grid Code"	Refers to the Philippine Grid Code promulgated by the Energy Regulatory Commission under ERC Resolution No. 22, series of 2016
"GW"	Gigawatt or one million kilowatts
"GWh"	Gigawatt-hours or one million kilowatt-hours, which is typically used as a measure for the annual energy production of large power plants
"ITH"	Income Tax Holiday
"kW"	Kilowatt or one thousand watts
"kWh" or "Kilowatt-hour"	The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Kilowatt peak" or "kWp"	A measuring unit for the maximum output of a photovoltaic system ("**PVS**")
"Land Use Conversion"	This refers to the act or process of changing the current use of a piece of agricultural land into some other use as approved by DAR, as defined in DAR Administrative Order No. 1, Series of 1999 (Revised Rules and Regulations on the Conversion of Agricultural Lands to Non-Agricultural Uses)
"LGU"	Local government unit
"LHHC"	Lupang Hinirang Holdings Corporation
"Management"	The executive management of the Company
"Megawatt peak" or "MWp" or "MWdc"	A measuring unit for the maximum output of a photovoltaic system. 1.0 MWp = 1,000-kilowatt peak (kWp); equivalent to the installed capacity of Solar PV power plants expressed in terms of MW in DC side or the rated capacity of a Solar PV module.
"Meralco"	The Manila Electric Company, a distribution utility with a franchise granted by under Republic Act No. 9209.
"MOA"	Memorandum of Agreement

"MW"	Equivalent to one million watts, which is the installed capacity of power plants is generally expressed in terms of MW
"MWac"	The installed capacity of Solar PV power plants expressed in terms of MW in the AC side or the grid interconnection point
"NGCP"	National Grid Corporation of the Philippines
"NOLCO"	Net Operating Loss Carry-Over
"NREB"	National Renewable Energy Board
"O&M"	Operation and Maintenance
"OCSP"	Open and Competitive Selection Process
"Off-take Agreement"	The agreement between the power producer and the power buyer (or off-taker) that provides the commercial terms and conditions for the sale or supply of electricity
"Open Access"	As defined in the implementing rules of the EPIRA, the transmission service regime allowing any qualified person the use of electric power transmission and associated facilities, subject to the payment of transmission wheeling rates duly approved by the ERC as promulgated through the Open Access Transmission Service Rules as may be amended from time to time.
"PEP"	Philippine Energy Plan
"Phase 1"	The first phase of the Project, a 225 MWdc solar power plant in Barangay Las Piñas, Peñaranda, Nueva Ecija
"Phase 1A"	The sub-phase of Phase 1 referring to the 50 MWdc solar power plant
"Phase 1B"	The sub-phase of Phase 1 referring to the 175 MWdc solar power plant
"Phase 2"	The second phase of the Project, a 275 MWdc solar power plant in Barangay Las Piñas, Peñaranda, Nueva Ecija
"PIC"	Provincia Investments Corporation
"PPA"	Power Purchase Agreement

"Pre-Development Stage"	A stage of an RE Contract that involves assessment and feasibility study, permitting and licensing, up to the financial closing of the RE project
"Project" or "Sta. Rosa Nueva Ecija 2 Solar Power Project"	The planned solar power project located in Nueva Ecija under SESC No. 2017-06-404
"PSA"	Power Supply Agreement
"PSALM"	Power Sector Assets and Liabilities Management Corporation
"PSPP"	Power Supply Procurement Plan
"PV"	Photovoltaic
"PV System" or "PVS"	Photovoltaic System
"RA"	Republic Act
"RCOA"	Retail Competition and Open Access
"RE"	Renewable Energy
"REMB"	The Renewable Energy Management Bureau of the DOE
"Renewable Energy Act of 2008"	RA No. 9513, otherwise known as the "Renewable Energy Act of 2008," as may be amended from time to time, and including the rules and regulations issued thereunder
"Renewable Energy Resources"	As defined under the Renewable Energy Act of 2008, refers to energy resources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis, and whose renewal rate is relatively rapid to consider availability over an indefinite period of time. These include hydropower, biomass, solar, wind, and geothermal
"RES"	A duly licensed Retail Electricity Supplier pursuant to the EPIRA and the relevant rules promulgated by the ERC including Resolution No. 12, series of 2020.
"Retail Competition"	As defined in the implementing rules of the EPIRA, the provision of electricity to the Contestable Market by a RES
"RFP"	Request For Proposal
"ROU"	Right-of-Use

"RoW"	Right-of-Way
"RPS" or "Renewable Portfolio Standards"	A market-based policy that requires electric power industry participants, including suppliers, to source an agreed portion of their energy supply from eligible RE resources
"SEOC" or "Solar Energy Operating Contract"	The RE Contract issued by the Government, through the DOE, for the development and operation of RE Projects utilizing solar energy as an RE resource
"SESC" or "Solar Energy Service Contract"	The Service Agreement between the Government, through the DOE, and the Solar Energy Developer over a period in which the RE Developer has the exclusive right to a particular RE area for exploration and development of solar energy
"SIS" or "System Impact Study"	As defined in the Philippine Grid Code, an assessment made or conducted by the Transmission Network Provider/System Operator (both as defined in the Philippine Grid Code) in addition to the Grid Impact Studies prepared by it in accordance with the Philippine Grid Code, to determine: (a) the adequacy of the Grid and its capacity to accommodate a request for power delivery service; and (b) the costs, if any, that may be incurred in order to provide power delivery service to a Transmission Customer
"SPCRPI"	Solar Philippines Commercial Rooftop Projects, Inc.
"SPREI"	Solar Philippines Retail Electricity, Inc., an affiliate of SPNEC with an RES license
"TransCo"	National Transmission Corporation
"WESM"	Wholesale Electricity Spot Market
"WESM Rules"	The rules promulgated pursuant to the EPIRA and other existing rules and regulations that govern the administration and operation of the WESM

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SUMMARY INFORMATION

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes thereto appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the Rights Shares, see the section "Investment Considerations and Risk Factors" starting on page 41 of this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary.

Eligible Shareholders and Qualified Buyers should read the entire Prospectus fully and carefully, including the Company's financial statements and related notes. In case of any inconsistency between the summary and the detailed information in this Prospectus, the more detailed portions, as the case may be, shall prevail.

The Issuer

Solar Philippines Nueva Ecija Corporation ("**SPNEC**") is a subsidiary of Solar Philippines Power Project Holdings, Inc. ("**SPPPHI**"), an integrated developer, owner, and operator of solar power projects. SPNEC was listed on the PSE on 17 December 2021 and is the proponent of the 500 MWdc solar power plant in barangays Las Piñas and Sinasajan, Peñaranda, Nueva Ecija ("**Project**").

Since SPNEC was incorporated on 23 November 2016, it has been developing the Project, with the awarding by the Department of Energy ("**DOE**") on 22 August 2017 of a Solar Energy Service Contract ("**SESC**") for the exclusive right to explore and develop the Project in selected areas of Nueva Ecija to one of its affiliates that has since assigned the same to SPNEC. SPNEC has since entered into lease agreements for a total of 352.42 hectares comprising the Project's site. Construction is currently ongoing for 50 MWdc of the Project's first phase.

On 24 February 2022, the Board approved the acquisition of 100% of the outstanding shares held by SPPPHI in various entities ("**Solar Philippines Assets**") through an asset-for-share swap, with SPPPHI subscribing for 24,373,050,000 shares of SPNEC at ₱2.50 per share ("**Share Swap**"). This Share Swap would be enabled by the increase in authorized capital stock from 10 billion Common Shares to 50 billion Common Shares, which was approved by SPNEC's Board of Directors on 10 January 2022, and by SPNEC's stockholders on 7 March 2022, subject to regulatory approvals. The Company is currently preparing to file for the increase in authorized capital stock and estimates that the SEC will approve the increase in the Company's authorized capital stock within the year.

The Share Swap is intended to expand SPNEC's portfolio, from one solar project in Nueva Ecija to a portfolio that includes over 175 MW of operational projects as well as developments in various provinces of the Philippines, in support of its goal of developing 10 GW of solar projects by 2025.

The following is a list of Solar Philippines Assets:

Table 1: List of Solar Philippines Assets

Project	Planned Capacity (MWdc)[a] / Status	SPV	Date of Incorporation	SESC	Primary Off-take	Economic Interest % of SPPPHI Pre-Share Swap / SPNEC Post-Share Swap
Batangas-1	63 MWdc Operating, 30 MW Wind for COD 2025	Solar Philippines Calatagan Corporation	9 June 2015	2014-12-091	FIT, GEAP	62.00%
Tarlac-1	100 MWdc Operating, 100 MWdc for COD 2023	Solar Philippines Tarlac Corporation	15 July 2015	2017-07-442-AF1	Meralco	50.00%[c]
Batangas-2	187 MWdc for COD 2024	Solar Philippines Tanauan Corporation	7 September 2016	2017-07-431, 2017-02-363-AF1	Meralco	50.00%
Tarlac-2	400 MWdc for COD 2025	Solar Philippines Central Luzon Corporation	2 March 2017	2017-07-436[b]	GEAP / Merchant	49.99%[d]
Quezon	800 MWdc for COD 2025	Solar Philippines South Luzon Corporation	6 April 2027	2018-03-479[b]	GEAP	100.00%
Leyte	400 MWdc for COD 2025	Solar Philippines Visayas Corporation	6 April 2017	2019-05-512	GEAP	100.00%

Table 1: List of Solar Philippines Assets						
Project	**Planned Capacity (MWdc)[a] / Status**	**SPV**	**Date of Incorporation**	**SESC**	**Primary Off-take**	**Economic Interest % of SPPPHI Pre-Share Swap / SPNEC Post-Share Swap**
South Cotabato	200 MWdc for COD 2025	Solar Philippines Southern Mindanao Corporation	11 November 2021	2019-05-514[b]	GEAP	100.00%
Batangas-3	2,000 MWdc for COD 2026	Solar Philippines Batangas Baseload Corporation	8 March 2018	2017-05-384[b]	Pending Meralco	100.00%
Nueva Ecija-Bulacan	4,000 MWdc for COD 2026	Terra Solar Philippines, Inc.	21 June 2021	2017-07-434[b], 2017-06-405/407[b]	Pending Meralco	49.99%
Cebu	400 MWdc for COD 2026	Solar Philippines Visayas Corporation	6 April 2017	2017-02-364[b]	Pending	100.00%
Zambales	400 MWdc for COD 2026	Solar Philippines Zambales Corporation	23 November 2016	2017-06-415[b]	Pending	100.00%
Camarines Sur	400 MWdc for COD 2026	Solar Philippines South Luzon Corporation	6 April 2017	2019-05-513	Pending	100.00%
N/A	Retail Electricity Supplier	Solar Philippines Retail Electricity, Inc.	24 August 2016	N/A	N/A	100.00%
Laguna	5.9 MWdc Construction	Laguna Rooftop Solar Corporation	6 July 2021	N/A	PPA	20.00%
N/A	6 MWdc Operating / Various	Solar Philippines Rooftop Corporation	6 April 2017	Various		100.00%

a. Capacities refer to aggregate of phases, which would not necessarily all be in the same SPV or have the same COD.
b. Pending DOE approval of assignment from SPCRPI.
c. SPPPHI owns 100% of the outstanding common shares while Prime Metro Power Holdings owns 100% of the outstanding preferred shares. The preferred shares are convertible into the number of common shares resulting in a 50% common equity share.
d. ACEN Corporation currently owns 99.04%. Solar Philippines has the option to repurchase shares to return to the agreed 50% plus/minus 1 in favor of ACEN Corporation.

The Company's disclosures may be viewed on PSE EDGE[6].

The Company intends to use the funds raised from the Offer for project development (including securing land and off-take agreements) and general corporate purposes.

The following figures show the ownership structures of SPNEC pre-Offer, post-Offer assuming that the Offer is fully subscribed by the minority Eligible Shareholders and Qualified Buyers, and post-Share Swap.

Figure 1: SPNEC Corporate Structure Pre-Offer

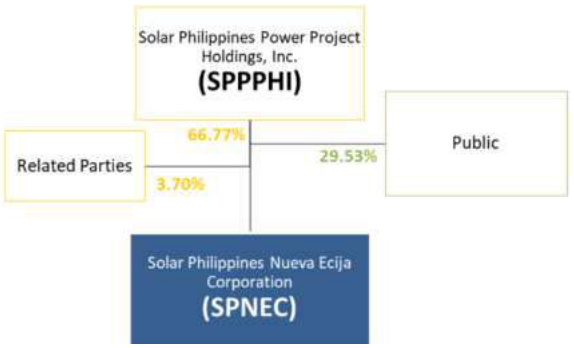
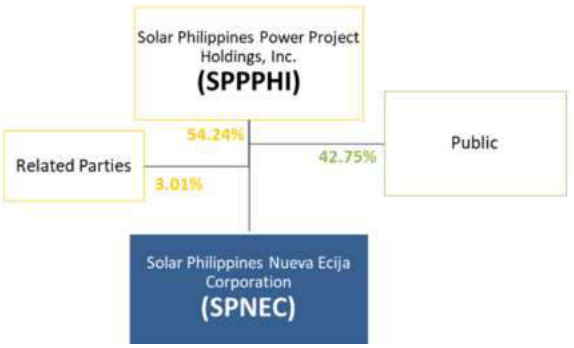
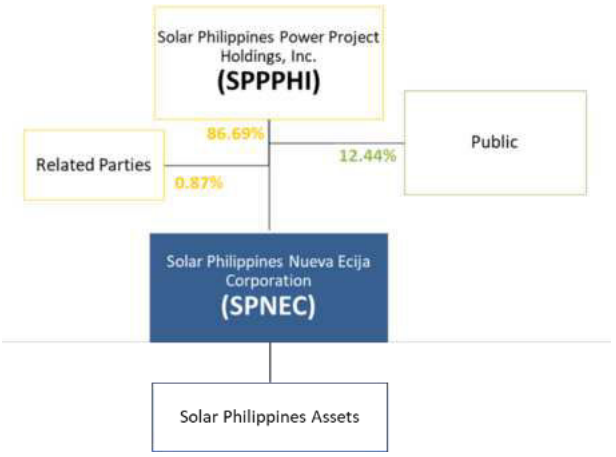


Figure 2: SPNEC Corporate Structure Post-Offer and Pre-Swap



[6] https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=688

Figure 3: SPNEC Corporate Structure Post-Swap and Pre-Issuance*	Figure 4: SPNEC Corporate Structure Post-Swap and Post-Issuance*
	

**As the public float will drop to 12.44% post Share Swap, the Company will undertake a potential follow-on offering, stock rights offering, private placement, or a combination thereof to augment and maintain the minimum public ownership float of 20%*

Solar Energy

Renewable energy is projected to constitute more than 50% of global power generation by 2035. In addition, solar energy is expected to grow the fastest, becoming the largest power generation source by 2040.[7] In the Philippines, the DOE has set the target for at least 35% of the country's energy to be sourced from renewable energy by 2030 and more than 50% by 2040.

Management believes that the growth in solar in the Philippines has been facilitated by:

- Growing demand for power driven by the growth of the Philippine economy;
- Decreasing costs making solar cost-competitive;
- Phasing out of fossil fuel, as demonstrated by the DOE's moratorium on new coal developments, and the need to replace many ageing plants over the coming years;
- Solar generation profile that matches the peak demand profile of the Philippines;
- Strong government support for renewable energy and market-oriented framework for power; and
- Increasing awareness among the public and off-takers on the benefits of solar power.

Competitive Strengths

The Company's competitive strengths include the following:

- Preparedness to pursue off-take on an opportunistic basis;
- Economies of scale; and
- Solar development expertise.

For a detailed discussion of the Company's competitive strengths, please refer to "The Company - Competitive Strengths" section starting on page 100 of this Prospectus.

[7] https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-energy-perspective-2019

Business Plans and Strategies

The Company's business plans and strategies include the following:

- Securing off-take through contracting on an opportunistic basis;
- Leveraging the SP Group's solar development expertise; and
- Maximizing the economies of scale of its project developments.

For a detailed discussion of the Company's business plans, please refer to section "The Company - Business Plans and Strategies" section starting on page 101 of this Prospectus.

Investment Considerations and Risk Factors

Before making an investment decision, Eligible Shareholders are advised to consider carefully all the information contained in this Prospectus, including the following key points characterizing the potential risks associated with an investment in the Rights Shares:

- Risks relating to the Company and its Solar Business;
- Risks relating to the Philippines;
- Risks relating to the Offer and the Rights Shares; and
- Risks relating to the presentation of information in this Prospectus.

Please refer to the section entitled "Investment Considerations and Risk Factors" beginning on page 41 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Rights Shares.

Investor Relations Office

Through the Company's website, www.spnec.ph, prospective investors may find relevant disclosed information and materials that the Investor Relations Office will regularly review and maintain. As a listed company, the Company complies with the reportorial and disclosure requirements of the SEC and the PSE, including the Consolidated Listing and Disclosure Rules, the SRC, and the RCC and their respective implementing rules and regulations. The investing public may access the Company's disclosures and reports on the PSE EDGE[8] as well as on the Company's website.

SPNEC's Investor Relations Office is located at the 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The Company's Investor Relations Officer may be contacted at ir@spnec.ph.

Issuer Information

SPNEC is a Philippine corporation organized under the laws of the Republic of the Philippines with business address at the 20th Floor Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines[9] and with telephone number (+632) 8817 2585. SPNEC's corporate website is www.spnec.ph. Information on the website is not incorporated by reference into, and does not form part of, this Prospectus.

[8] www.edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=688

[9] The principal office of the Company per the Articles of Incorporation is at 112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City, Philippines 1229.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Rights Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Rights Shares. Each prospective investor may rely on its own appraisal of the Company and the Rights Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Rights Shares and must not rely solely on any statement for the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

The Issuer	Solar Philippines Nueva Ecija Corporation
The Rights Offer	The Rights Offer shall comprise the offer for subscription of 1,875,649,995 Rights Shares to Eligible Shareholders at a price of ₱1.50 per share. No commissions or other remuneration will be paid or given, directly or indirectly, to the Underwriters in relation to the sale of the Rights Shares to Eligible Shareholders. The Rights Shares will be issued from the Company's unissued ACS. The Company's AOI, as amended, provides that all issuances of shares are not subject to pre-emptive rights of the shareholders, and may be issued in such quantities, at such time, and under such terms as the Board shall determine. All Rights Shares and Additional Rights Shares shall have the same rights and privileges as the Company's Common Shares, including the rights to vote and to receive dividends, or distributions made, paid or declared after a valid subscription agreement is perfected between the Company and a subscriber as evidenced by the written acceptance by the Company of the application to subscribe for and purchase (the "**Application**" or the "**ATP**") of the subscriber and other conditions, including the listing of the Rights Shares on the PSE. The Company shall cause the Transfer Agent to make available to the Underwriters, on the Record Date, a complete list of the Eligible Shareholders with the number of Rights Shares to which each of them shall be entitled to subscribe, subject to the Company's satisfaction that relevant requirements of data privacy laws and regulations are satisfied.
The QB Take-Up	Following the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers to subscribe to any Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer.

The Offer	The Offer comprises of the Rights Offer and the QB Take-Up, collectively.
Principal Shareholder's Undertaking	SPPPHI and CIHC (an affiliate of SPPPHI), which collectively own 70.46% of the Issuer's outstanding capital stock as of the Record Date, will not participate in the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer to provide maximum availability of Rights Shares to minority Eligible Shareholders. Please see "Plan of Distribution – The Offer on page 84 of this Prospectus. SPPPHI has committed to subscribe for all Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up pursuant to the Principal Shareholder's Undertaking. The Company may reduce SPPPHI's subscription if it will breach any required minimum public ownership.
Offer Price	The Rights Shares will be offered at a price of ₱1.50 per Rights Share.
Offer Period	The Offer Period (consisting of the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer) for Eligible Shareholders shall begin on 30 August 2022 at 9:00 a.m. and end on 5 September 2022 at 12:00 noon. The Underwriters shall procure Qualified Buyers to participate in the QB Take-Up for a period of two Trading Days following the end of the Offer Period on or before 12:00 noon. The take-up of the Principal Shareholder of any Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up shall be on the last day of the period for the QB Take-Up. SPNEC and the Underwriters reserve the right to extend the Offer Period, subject to the approval of the PSE. If for any reason, any day of the Offer Period is a non-Trading Day, the Offer Period shall automatically be extended to the next succeeding Trading Day/s such that there will always be a minimum of five Trading Days comprising the Offer Period, where the offer to the Eligible Shareholders shall be for a minimum of five Trading Days. The two Trading Days following the end of the Offer Period shall be dedicated for the QB Take-Up and the Sweep Period, unless sooner terminated or otherwise extended by the Company and the Underwriters.

Eligible Shareholders	Eligible Shareholders are the Company's shareholders of record as of the Record Date, i.e., 25 August 2022. The latest date that anyone who is not already a shareholder of SPNEC may purchase Common Shares on the PSE in order to qualify as an Eligible Shareholder is 19 August 2022. Persons, whether natural or juridical, who purchase shares starting 22 August 2022, being the Ex-Date, will not qualify as Eligible Shareholders. In every case, all persons must also meet the qualifications below to be considered Eligible Shareholders.
Minimum Subscription	Each Eligible Shareholder applicant must have an application for a minimum of one Rights Share. Each Qualified Buyer applicant must have an application for a minimum of 1,000 Rights Shares.
Use of Proceeds	The gross proceeds from the Offer are expected to be ₱2,813,474,992.50. The net proceeds from the Offer, after deducting fees and expenses, are expected to amount to ₱2,795,250,188.50 assuming all the Rights Shares are subscribed during the Rights Offer and the QB Take-Up. The net proceeds from the Offer are intended for project development (including securing land and off-take agreements) and general corporate purposes.
Rights Entitlement Ratio	One (1) Rights Share for every One and 28/100 (1.28) Common Shares held by an Eligible Shareholder as of Record Date (based on the number of publicly held shares, divided by the number of the Company's unissued shares, rounded up to the nearest whole number).
Rights Entitlement	Each Eligible Shareholder is entitled to subscribe for the number of Rights Shares derived after applying the Rights Entitlement Ratio (the "**Entitlement Shares**"). Fractions of Entitlement Shares will not be allotted to Eligible Shareholders and any fractional entitlement will be rounded down to the nearest whole number of the applicable Entitlement Shares. Such fractions will be aggregated and the resulting whole numbers of Rights Shares shall be offered in the Offer. Subscription to the Rights Shares in certain jurisdictions may be restricted by law. Foreign investors interested in subscribing for or purchasing the Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of

	the countries of their nationality, residence, or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Rights Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Rights Shares. A subscription for Entitlement Shares is irrevocable, and the Eligible Shareholder applicant may not cancel or modify it. The offer process in relation to the Entitlement Shares shall also be known as the "**First Round of the Rights Offer**".
Additional Subscription	If an Eligible Shareholder applicant fully subscribes for his Entitlement Shares in the First Round of the Rights Offer, such Applicant may simultaneously apply for an additional subscription for Additional Rights Shares, subject to the availability of Additional Rights Shares. If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for by all Eligible Shareholder applicants, each Eligible Shareholder applicant for Additional Rights Shares shall be allocated the number of Additional Rights Shares indicated in his or her Application. If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for by all Eligible Shareholder applicants, the available Additional Rights Shares shall be allocated among all Eligible Shareholder applicants who have applied for such Additional Rights Shares at the discretion of the Company taking into account various factors including each Eligible Shareholder applicant's original shareholdings in the Company as of Record Date relative to the original shareholdings of all other Eligible Shareholder applicants for Additional Rights Shares as of such Record Date, provided that no Eligible Shareholder applicant for Additional Rights Shares shall be allocated Additional Rights Shares that are more than the number applied for by such Applicant. No guarantee is given on the number of Additional Rights Shares an Eligible Shareholder applicant may be allocated. A subscription for Additional Rights Shares is irrevocable, and the Eligible Shareholder applicant may not cancel or modify it without the written consent of the Issuer. The offer process in relation to the Additional Rights Shares shall be known as the "**Second Round of the Rights Offer**".

Qualified Buyer Subscription	With respect to the QB Take-Up, all applications shall be evidenced by the ATP, duly executed by an authorized signatory of the Qualified Buyer applicant, and the corresponding payment for the Rights Shares covered by the Application and required supporting documents should be submitted to the relevant Underwriter not later than 12:00 noon of the second Trading Day after the Offer Period. The Procedure for Application below shall likewise apply to the QB Take-Up, as appropriate.
Underwriters' Firm Commitment to Purchase	Pursuant to the Underwriting Agreement, the Joint Issue Managers and Joint Lead Underwriters and the Participating Underwriter shall fully underwrite, on a firm commitment basis, the Rights Shares in accordance with the underwriting agreement (the "**Underwriting Agreement**") entered into with the Company. Following the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers to purchase any Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer. To the extent that any Rights Shares remain unsubscribed by SPPPHI after the mandatory Second Round of the Rights Offer and after the QB Take-Up pursuant to the Principal Shareholder's Undertaking, such Rights Shares will be taken up by the Underwriters in accordance with the Underwriting Agreement. Such subscription to the Rights Shares pursuant to the Underwriters' Firm Commitment to Purchase shall be paid in full upon subscription. The Underwriters shall firmly underwrite the Offer notwithstanding any event that will result in the Principal Shareholder's failure to subscribe to all remaining unsubscribed Rights Shares after the mandatory Second Round of the Rights Offer and after the QB Take-Up. In undertaking the Underwriters' Firm Commitment to Purchase, the Underwriter hereby manifests its conformity to comply with and be bound by all duly promulgated and applicable listing and disclosure rules, requirements, and policies of the Exchange.

Procedure for Application	All Applications shall be evidenced by the ATP, duly executed by an authorized signatory of the Eligible Shareholder applicant or Qualified Buyer applicant (as applicable), and the corresponding payment for the Rights Shares covered by the Application and all other required documents. Individual Eligible Shareholder applicants and individual Qualified Buyer applicants must submit the following: • A duly accomplished ATP; • Two duly executed signature cards; • A photocopy of one valid government-issued ID: UMID, SSS, GSIS, Driver's License, Passport, PhilHealth, Postal, Professional Regulation Commission ID, Integrated Bar of the Philippines ID, or Philippine Identification Card (PhilID); • The proof of payment (i.e., copy of the validated PNB Bills Payment for over-the-counter payments or screenshot of the payment confirmation for PNB Mobile Banking payments); and • For applicants located offshore, if submitting the Application and other documents through email, an apostilled (of apostilled member country) or consularized Affidavit of Undertaking to Submit Original Copies of the Documents within 15 calendar days from the submission of the e-mail of the scanned copies. If the Eligible Shareholder applicant or Qualified Buyer applicant is a corporation, partnership, or trust account, the Eligible Shareholder applicant or Qualified Buyer applicant must submit: • A duly accomplished ATP executed by the authorized signatory of the Eligible Shareholder applicant or Qualified Buyer applicant; • Two completed signature cards, which should be authenticated by the corporate secretary or equivalent corporate officer (or managing partner in the case of a partnership); • A certified true copy of the Articles of Incorporation and By-Laws of the Eligible Shareholder applicant or Qualified Buyer applicant, or the equivalent charter documents applicable for such institutional applicant, duly certified by its corporate secretary or its equivalent authorized officer; • A certified true copy of the SEC Certificate of Registration or its equivalent document of the Eligible Shareholder applicant or Qualified Buyer applicant, issued by the relevant regulating authority in the jurisdiction where the Applicant is a resident, duly certified by its corporate

	secretary or equivalent corporate officer (or managing partner in the case of a partnership); • A duly notarized certificate of the Eligible Shareholder applicant's or Qualified Buyer applicant's corporate secretary (or certificate of the managing partner in case of partnership) that sets out: (a) the resolutions of the Applicant's Board of Directors or equivalent body authorizing the subscription/purchase of the Rights Shares indicated in the Application and designating signatory(ies) for the purpose; (b) the specimen signature(s) of such designated signatory(ies); and (c) and certifying to the percentage of the Eligible Shareholder applicant's or Qualified Buyer applicant's capital or capital stock held by Philippine nationals; • The proof of payment (i.e., copy of the validated PNB Bills Payment for over-the-counter payments or screenshot of the payment confirmation for PNB Mobile Banking payments); and • For Applicants located offshore, if submitting the Application and other documents through email, an apostilled (of apostilled member country) or consularized Affidavit of Undertaking to Submit Original Copies of the Documents within 15 calendar days from the submission of the e-mail of the scanned copies. If the Eligible Shareholder applicant is not located in the Philippines (whether individual shareholder or corporation, partnership, or trust account), by accomplishing the Application, the Eligible Shareholder applicant represents and warrants that the he/she is not a resident in the United States and his/her purchase of Rights Shares will not violate the laws of the jurisdiction where it is a resident or domiciliary. If the beneficial interest over an Application submitted by a broker or custodian in the PCD system relates to a non-Filipino or an Eligible Shareholder applicant or Qualified Buyer applicant who is not located in the Philippines (natural persons or corporation, partnership, or trust account), the relevant broker or custodian must submit a certification letter to the Receiving Agent or the relevant Underwriter, as the case may be, representing and warranting that the Rights Offer and the beneficial owner's purchase of the Rights Shares does not and will not, violate the laws of the jurisdictions where such beneficial owners are residents or domiciled. Eligible Shareholder applicants who wish to avail themselves of Additional Rights Shares must fill out the pertinent portion of the Application and tender full payment for the total subscription price for all Rights Shares (i.e., the Entitlement Shares and Additional Rights Shares) covered by the Application (the

	"**Total Subscription Price**") if availing of Option 1 described below or tender the required partial payment for the Total Subscription Price for all Rights Shares covered by the Application if availing of Option 2 described below. The duly executed ATP for the Rights Offer and required documents should be submitted during the Offer Period, not later than 12:00 noon of 5 September 2022, to the Receiving Agent, provided that if payment is made through a personal, corporate, or manager's/cashier's check, the full payment must be made on or before 11:00 a.m. on 5 September 2022 through PNB Bills Payment for certificated Eligible Shareholder applicants. The deadline for the payments of Eligible Shareholder applicants with immobilized holdings (lodged shares) will be based on the internal processes of their respective PDTC depository participants ("**DPs**"). The duly executed Application for the QB Take-Up and required documents should be submitted not later than 12:00 noon of the second Trading Day after the Offer Period to the relevant Underwriter, provided that if payment is made through a personal, corporate, or manager's/cashier's check, corporate check, or personal check, the payment must be made on or before 11:00 a.m. on the second Trading Day after the Offer Period, while the deadline for cash payments is at 12:00 noon on the same day. Applications shall be considered irrevocable upon submission to the Receiving Agent or to the relevant Underwriter and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the ATP.
Right to Modify Applications	The right of any Eligible Shareholder to subscribe for and purchase Rights Shares is subject to the Company's right to reject an Application or reduce the number of Rights Shares applied for subscription or purchase if the subscription will exceed the limits on foreign ownership under Philippine law.
Payment for the Rights Shares	The Issuer offers two options for the payment of the Total Subscription Price for all Rights Shares: 1. Option 1 – full payment of the Total Subscription Price upon submission of the ATP; and 2. Option 2 – installment payment, with a down payment of 25% of the Total Subscription Price for the Rights Shares upon submission of the ATP and the balance of 75% to be paid in full one time directly to the Company, or on its

	instructions, to its nominee for this purpose, on any day within three months from the end of the Offer Period for the Rights Offer for Eligible Shareholders (i.e., from 6 September 2022 to 5 December 2022); within three months from the end of the QB Take-Up for Qualified Buyers; and within three months from the end of the Sweep Period for the Principal Shareholder. For Option 2, in case of any non-payment of the balance of 75% of the Total Subscription Price on the relevant due date, the Company reserves the right to extend the payment period for partially-paid Rights Shares prior to declaring them delinquent, subject to such terms as the Company may determine at its sole discretion, provided that, no extension shall be for more than a period of three months from the end of the initial installment period, and the Company reserves the right to impose penalties for shares paid for during this extension period. All delinquent Rights Shares will be sold at auction, subject to compliance with all applicable laws and regulations. In case there are no bidders at such auction, the Company may purchase the delinquent Rights Shares, in which case they shall become treasury shares. In case of sale of delinquent Rights Shares, down payments previously made by Applicants pursuant to their ATP shall be forfeited in favor of the Company. Rights Shares that are fully-paid pursuant to Option 1 within the Offer Period for Eligible Shareholders, QB Take-Up for Qualified Buyers, and the Sweep Period for the Principal Shareholder, as applicable, will be listed and made available for trading on the expected Listing Date, subject to compliance with applicable post-approval conditions. Partially-paid Rights Shares pursuant to Option 2 will be listed and made available for trading only (a) after full payment thereof; (b) compliance with the relevant post-approval requirements of the PSE, the Transfer Agent, and/or the PDTC; and (c) the submission to the PSE of the PDTC's written confirmation of the actual lodgment of the fully-paid Rights Shares. Refer to the "Plan of Distribution" section on page 84 of this Prospectus. All payments must be made in Philippine Pesos. Applicants must tender payment for the Total Subscription Price, depending on the option for payment the Applicant indicated in its Application, before submission of the Application to the Receiving Agent and to the relevant Underwriter, as the case may be. Each Applicant is responsible for ensuring that the payment details provided upon payment are correct. The reference number must be clearly indicated in the deposit/payment slip for over-the-counter payments or in the "Reference Number" field for online payments. Applicants must

	email Philippine National Bank acting through its Trust Banking Group (the "**Receiving Agent**") at spnec_sro@pnb.com.ph to obtain their applicable "Reference Number". Payment shall be in the form of a bills payment, as follows: a. Over the counter payment through PNB Bills Payment in the name of "SPNEC SRO" at any operating PNB branch through the following payment types: i. Cash; or ii. Personal, corporate, or manager's/cashier's check drawn against an account with a BSP-authorized bank at any of its branches located in Metro Manila. Only checks with clearing periods of no more than one Banking Day shall be accepted. All checks should be made payable to "SPNEC SRO" crossed "Payee's Account Only" and dated the same date as the Application. For the Rights Offer to Eligible Shareholders, the deadline for check payments is at 11:00 a.m. on 5 September 2022, while the deadline for cash payments is at 12:00 noon on 5 September 2022 for certificated Eligible Shareholder applicants. The deadline for the payments of Eligible Shareholder applicants with immobilized holdings (lodged shares) will be based on the internal processes of their respective DPs. The DPs shall follow the usual procedure for rights offerings where take-up of rights is done through the PDTC System. The deadline for the check payments or payments via Real Time Gross Settlement ("**RTGS**") from DPs representing full payment of the Total Subscription Price must be received by the PDTC on or before 10:00 a.m. on 1 September 2022. For the QB Take-Up, the deadline for check payments is at 11:00 a.m. on the second Trading Day after the Offer Period, while the deadline for cash payments is at 12:00 noon on the same day. For a list of operating and closed PNB branches, please visit: www.pnb.com.ph. b. Online payment through PNB Bills Payment, with "SPNEC SRO" as the merchant through the PNB Mobile Banking App. For online payments through the PNB Mobile Banking App, the Eligible Shareholder applicant must enroll "SPNEC SRO" as a merchant in their PNB accounts. Enrolment of merchants can only be done through the PNB online

	platform. Only an Eligible Shareholder applicant with a valid PNB bank account may pay through the PNB Mobile Banking App platform. For the Rights Offer to Eligible Shareholders, the deadline for online payments through the PNB Mobile Banking App is at 12:00 noon on 5 September 2022 for certificated Eligible Shareholder applicants. The deadline for the payments of Eligible Shareholder applicants with immobilized holdings (lodged shares) will be based on the internal processes of their respective DPs. For the QB Take-Up, the deadline for online payments through the PNB Mobile Banking App is at 12:00 noon on the second Trading Day after the Offer Period. Qualified Buyers participating in the QB Take-Up may make separate arrangements with the Underwriters for alternative means of payment. Eligible Shareholder applicants opting for the full payment of their subscriptions pursuant to Option 1 must pay the Total Subscription Price covering both the availed Entitlement Shares and Additional Rights Shares upon submission of the Application to the Receiving Agent. On the other hand, Eligible Shareholder applicants opting for the installment payment pursuant to Option 2 must pay 25% of the Total Subscription Price covering the Entitlement Shares and Additional Rights Shares upon submission of the Application to the Receiving Agent. The remaining balance of 75% of the Total Subscription Price shall be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the Offer Period for the Rights Offer to Eligible Shareholders (i.e., from 6 September 2022 to 5 December 2022). Qualified Buyer applicants opting for the full payment of their subscriptions pursuant to Option 1 must pay the Total Subscription Price covering the subscribed Rights Shares upon submission of the Application to the relevant Underwriter. On the other hand, Qualified Buyer applicants opting for the installment payment pursuant to Option 2 must pay 25% of the Total Subscription Price covering the Rights Shares upon submission of the Application to the relevant Underwriter. The remaining balance of 75% of the Total Subscription Price shall be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the period for the QB Take-Up.

	The option to pay on an installment basis is also available to the Principal Shareholder for the Rights Shares to be taken up under the Principal Shareholder's Undertaking. If the option to pay in installments is exercised, the remaining balance of 75% of the Total Subscription Price shall be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the Sweep Period for the Principal Shareholder. All bank charges, remittance fees, and all relative charges and fees shall be for the account of the Applicant. The full payment (under Option 1) or 25% down payment (under Option 2) for the Total Subscription Price, as the case may be, must be received by the Company, net of charges relevant to the Offer, through the Receiving Agent or, in the case of installment payments, the Company or its nominee for this purpose. Applications where the payment, whether full payment or installment payment as the case may be, is insufficient shall be rejected. The Issuer is required to submit a monthly report every fifth (5^{th}) Trading Day of the current month on the number of outstanding partially-paid Rights Shares based on the previous month-end balances until the earlier of: (a) all the Rights Shares are fully-paid or (b) the relevant due dates for balance payments have lapsed, subject to the Company's right to extend the payment period for partially-paid Rights Shares. The said report shall contain the following information: • The current and resulting total number of issued, outstanding, and listed shares; • The total number of fully-paid Rights Shares and its percentage to the total issued and outstanding shares; • The total number of partially-paid Rights Shares and its percentage to the total issued and outstanding shares; • The total number of Rights Shares paid in accordance with the schedule; and • The total number of Rights Shares that have not been paid in accordance with the schedule.
Acceptance/Rejection of Applications	The Company has full discretion to accept, reject, or scale down all or a portion of any ATP under the Terms of the Offer. The actual number of Entitlement Shares to which any Eligible Shareholder may be entitled to is subject to the Company's confirmation. The Company reserves the right to reject any commitment to subscribe by Qualified Buyer applicants, in whole or in part, and to allot any Qualified Buyer applicant less than the full amount

	of the Rights Shares sought by such Applicant, subject to the prior written consent of the Underwriters. ATPs where checks are dishonored upon first presentment and those that do not comply with the Terms of the Offer are automatically rejected. Moreover, payments received upon submission of an ATP do not constitute approval or acceptance by the Company of such Application. An ATP, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription for Rights Shares at the time, in the manner, and subject to the terms and conditions set forth in the ATP and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription and sale of the Rights Shares to an Eligible Shareholder, Qualified Buyer, or the Principal Shareholder for fully-paid Rights Shares under Option 1 will become effective only upon the listing of the Rights Shares on the PSE on 15 September 2022. If the listing of the subscriptions for the fully-paid Rights Shares is not fulfilled on or before this Listing Date, subject to any extension as may be agreed upon between the Issuer and the Joint Issue Managers and Joint Lead Underwriters, all application payments will be returned to the Applicants without interest. The actual subscription and sale of the Rights Shares to an Eligible Shareholder, Qualified Buyer, or the Principal Shareholder for partially-paid Rights Shares under Option 2 will grant rights as a shareholder to those whose applications and partial payments have been accepted; provided that, the fully-paid Rights Shares under Option 1 are listed with the PSE on or before the expected Listing Date. However, the ability to trade can only happen on the date when the Rights Shares are fully-paid, lodged, and listed on the PSE.
Withdrawal of the Offer	The Company reserves the right to withdraw the offer and sale of the Rights Shares at any time before the end of trading on the day immediately preceding the Ex-Date, in which event the Company shall make the necessary disclosures to the SEC and PSE. The Company may also withdraw the offer and sale of the Rights Shares at any time on or after the end of trading on the day immediately preceding the Ex-Date and prior to the Listing Date, if there is a supervening force majeure or fortuitous event, such as:

	a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Rights Shares in the manner contemplated by the Prospectus, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Rights Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Rights Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/ person to take up any Rights Shares remaining after the Offer Period; b. Issuance of an order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution or listing of the Rights Shares by any court or governmental agency or authority with jurisdiction on the matter such as, but not limited to, the BSP, the SEC or the PSE; c. Cancellation, revocation or termination of the PSE Notice of Approval or the SEC Confirmation of Exempt Transaction; d. Cancellation or suspension of trading in the PSE for at least three consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Rights Shares on the Listing Date or such other date as may be approved by PSE; e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Issuer to offer and issue the Rights Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by any of the underwriters of its underwriting obligations hereunder;

	f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Rights Shares unsuitable for offering to the public; g. The Issuer decides to or is compelled to stop its operations which is not remedied within five (5) Banking Days; h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or (iv) the Issuer shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Issuer; or (vi) any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer; or (vii) any event occurs which under the laws of the Republic of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing; i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines; j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the underwriters in connection with or with respect to the issuance or sale by the Issuer of the Rights Shares or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable; k. Any event occurs which makes it impossible for the underwriters to perform their underwriting obligations due to conditions beyond their control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or

	prohibiting the Underwriters, or directing the Underwriters to cease, from performing their underwriting obligations; l. Any representation, warranty or statement of the Issuer in the Prospectus shall prove to be untrue or misleading in any material respect or the Issuer shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (i) was not known and could not have been known to the Underwriters on or before commencement of the Offer Period despite the exercise of due diligence, and (ii) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability; m. Unavailability of PDTC and PSE facilities used for the offer and/or listing of the Rights Shares, and such unavailability impacts the ability of the Issuer and the Underwriters to fully comply with the listing requirements of the PSE; and n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability. The Offer shall not be withdrawn, cancelled, terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Rights Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the Underwriters, or any other entity/person to take up any Rights Shares remaining after the Offer Period. Notwithstanding the acceptance of any Application, the actual issuance of the Rights Shares to an Applicant shall take place only upon the listing of the Rights Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Rights Shares prior to Listing Date, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the fully-paid Rights Shares on Listing Date. Notwithstanding the foregoing, the Company and each of the Underwriters acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market. In this regard, the PSE may impose appropriate and reasonable sanctions and penalties on the relevant party, in accordance with applicable rules and regulations, if the PSE determines that the cancellation or termination of the Offer was not warranted based on the facts gathered and properly evaluated

	by the PSE after due and proper proceeding initiated by the PSE not later that five (5) Banking Days after such cancellation or termination.
Refunds	Refunds for payments to any Application or a portion thereof that has been rejected, in whole or in part, shall be made, without interest, through check payable to the relevant Applicant, beginning on the fifth (5th) Banking Day after the Offer Period or QB Take-Up, as applicable, in the amount corresponding to the number of Rights Shares not issued to such Applicant. Such refund check shall be made available for pickup at the office of the Receiving Agent at 3rd Floor, PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Philippines. Refund checks that remain unclaimed after 30 calendar days from the date such checks are made available for pickup shall be mailed, at the Applicant's risk, to the address of the Applicant indicated in the ATP. All refunds shall be processed by, and made through, the Receiving Agent. Pursuant to the Payment Terms in the ATP, down payments for partially-paid Rights Shares that are declared delinquent shall not be refunded and shall be forfeited in favor of the Company.
Restrictions on Ownership	The Rights Shares may be purchased by any natural person of legal age, regardless of nationality, or any corporation, association, partnership, trust account, fund or entity organized under the laws of the Republic of the Philippines and/or licensed to do business in the Philippines, regardless of nationality, subject to the Issuer's right to reject an Application or reduce the number of Rights Shares applied for subscription or purchase if it will cause a breach of foreign ownership limitations under Philippine law. The Philippine Constitution and related statutes and regulations restrict foreign ownership of companies engaged in the ownership of land or the exploration, development, or utilization of natural resources, such as SPNEC, to a maximum of (a) 40% of its total outstanding capital stock entitled to vote in the election of directors; and (b) 40% of its total outstanding capital stock, whether or not entitled to vote in the election of directors. Foreign investors interested in subscribing for or purchasing Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Rights Shares will

	not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Rights Shares. For more information relating to restrictions on the ownership of the Shares, please see "Philippine Foreign Investment, Exchange Controls, and Foreign Ownership" on page 213 of this Prospectus.
Issuance and Transfer Taxes	All fees of the Transfer Agent, documentary stamp taxes ("DST") or other taxes, and other expenses that may be incurred in connection with the sale of the Rights Shares and the lodgment of the shares shall be for the account of the Company.
Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration from the BSP of all foreign investments in the Rights Shares will be the responsibility of the foreign investors. See "Philippine Foreign Investment, Exchange Controls, and Foreign Ownership" on page 213 of this Prospectus.
Lodgment with the PDTC Depository Participant	The Rights Shares are required to be lodged with the PDTC. The Applicants must provide the required information in the space provided in the Application to effect the lodgment. An Applicant who does not have an account with a DP must designate a DP whose depository account will be credited with the Applicant's subscription for the fully-paid Rights Shares on the Listing Date. Rights Shares subject of applications under the installment scheme shall not be lodged prior to the Listing Date. The partially-paid Rights Shares will only be processed for lodgment upon the full-payment of the Rights Shares. Applicants may request the lodged Rights Shares to be uplifted to receive stock certificates evidencing their investment in the Rights Shares through their broker in accordance with existing upliftment procedures. Any expenses to be incurred in connection with such issuance of certificates shall be borne by the Applicant, except for expenses incurred by the Transfer Agent, which shall be borne by the Issuer.

Tax Considerations	The Applicants are advised to seek their own tax counsel or financial adviser to understand the tax implications of the offer, ownership, and disposal of the Rights Shares. See "Philippine Taxation" on page 204 for further information on the Philippine tax consequences of the purchase, ownership, and disposal of the Rights Shares.
Listing and Trading	The Company received the Notice of Approval from the PSE for the Offer on 28 July 2022. Fully-paid Rights Shares under Option 1 will be listed and made available for trading on the expected Listing Date, subject to compliance with applicable post-approval conditions. Partially-paid Rights Shares under Option 2 will be listed and made available for trading only (a) after full payment thereof; (b) compliance with the relevant post-approval requirements of the PSE, Philippine National Bank acting through its Trust Banking Group as the Transfer Agent, and/or the PDTC; and (c) the submission to the PSE of the PDTC's written confirmation of the actual lodgment of the fully-paid Rights Shares. Refer to the "Plan of Distribution" section on page 84 of this Prospectus. For clarity, the Rights Shares can only be traded once they are fully paid, lodged, and listed.
Timetable	The timetable of the Offer is scheduled as follows: Pricing Date.....18 August 2022 Ex-Date.....22 August 2022 Record Date.....25 August 2022 Start of Offer Period for Eligible Shareholders .....30 August 2022 End of Offer Period for Eligible Shareholders ..... 5 September 2022 Listing Date and Start of Trading of Fully-Paid Rights Shares..... 15 September 2022 The Company and the Underwriters reserve the right to change the aforementioned timetable depending on, among others, market conditions, receipt of the relevant regulatory approvals, and other relevant circumstances.
Governing Law	Laws of the Republic of the Philippines

Underwriters	Abacus Capital and Investment Corporation and China Bank Capital Corporation as the Joint Issue Managers and Joint Lead Underwriters; Investment & Capital Corporation of the Philippines as the Participating Underwriter; and such other underwriters as may be appointed by the Issuer under the Underwriting Agreement. The Joint Lead Underwriters and the Participating Underwriter have similar roles in carrying out the functions of an underwriter under applicable laws, rules, and regulations, except that the Joint Lead Underwriters have a larger amount of underwriting commitment as provided on page 86 of this Prospectus.
Receiving Agent and Transfer Agent	Philippine National Bank acting through its Trust Banking Group
Legal Counsel to the Underwriters	Angara Abello Concepcion Regala & Cruz Law Offices
Legal Counsel to the Issuer	Picazo Buyco Tan Fider & Santos
Independent Auditors	SyCip Gorres Velayo & Co.
Risks of Investing	Prospective investors should carefully consider the risks associated with an investment in the Rights Shares before making an investment decision. Certain of these risks are discussed in the "Investment Considerations and Risks Factors" starting on page 41 of this Prospectus.

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PARTIES TO THE OFFER

The Issuer	**Solar Philippines Nueva Ecija Corporation** 20th Floor, Philamlife Tower 8767 Paseo de Roxas Makati City, Philippines 1226
Joint Issue Managers and Joint Lead Underwriters	**Abacus Capital and Investment Corporation** 2904-A East Tower Tektite Towers Exchange Road, Ortigas Center Pasig City 1600 **China Bank Capital Corporation** 28/F BDO Equitable Tower 8751 Paseo de Roxas Makati City, Philippines
Participating Underwriter	**Investment & Capital Corporation of the Philippines** 17/F Robinsons Summit Center 6783 Ayala Avenue Makati City, Philippines 1226
Independent Auditors	**SyCip Gorres Velayo & Co. ("SGV & Co.")** *(a member firm of Ernst & Young Global Limited)* 6760 Ayala Avenue Makati City, Philippines 1226
Legal Counsel to the Issuer	**Picazo Buyco Tan Fider & Santos** Penthouse, Liberty Center – Picazo Law 104 H.V. Dela Costa Street, Salcedo Village Makati City, Philippines
Legal Counsel to the Underwriters	**Angara Abello Concepcion Regala & Cruz Law Offices** 22nd Floor, ACCRALAW Tower 2nd Avenue corner 30th Street Crescent Park West, Bonifacio Global City 0399 Taguig City, Philippines
Receiving and Transfer Agent	**Philippine National Bank acting through its Trust Banking Group** 3F PNB Financial Center Macapagal Boulevard Pasay City, Philippines

SUMMARY FINANCIAL INFORMATION

The tables below present the summary of financial operations of the Company for calendar years ended 31 December 2018, 2019, and 2020, and for the six-month periods ended 30 June 2020 and 2021, and for the years ended 30 June 2021 and 2022, and its financial position as of 31 December 2018, 2019, and 2020, 30 June 2021, and 30 June 2022.

The summary of financial information for calendar years ended 31 December 2018, 2019, and 2020, and for the six-month periods ended 30 June 2020 and 2021, and for the years 30 June 2022 and 2021, and its financial positions as of 31 December 2018, 2019, and 2020, 30 June 2021, and 31 March 2022 are based on the audited financial statements of the Company, which were prepared in accordance with the Philippine Financial Reporting Standards ("**PFRS**") and should be read in conjunction with the auditor's reports and the financial statements and notes contained in this Prospectus, and the section entitled "Plan of Operation and Management's Discussion" on page 141.

The Company adopted PFRS 16, *Leases*, using modified retrospective approach with initial date of application on 1 January 2019. The amounts presented in the statements of financial position and statements of comprehensive income as of and for the year ended 31 December 2018, are based on PAS 17, *Lease*s, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Note the information below is not necessarily indicative of the results of future operations or financial condition of the Company.

Table 2: SPNEC Summary of Comprehensive Income

Amounts in ₱0.00	**Calendar Year Ended 31 December (Audited)**			**For the Six-Month Periods ended 30 June (Audited)**		**For the Year ended 30 June (Audited)**	
	2018	**2019**	**2020**	**2020**	**2021**	**2021**	**2022**
Interest Income	389	895	286	209	6,013	6,090	548,180
Expenses	693,849	10,403,960	8,888,513	3,229,226	17,015,706	22,674,993	72,498,183
Income (Loss) Before Income Tax	**(693,460)**	**(10,403,065)**	**(8,888,227)**	**(3,229,017)**	**(17,009,693)**	**(22,668,903)**	**(71,950,003)**
Benefit from (Provision for) Deferred Income Tax	-	-	-	-	(904,291)	(904,291)	11,370,555
Net Income (Loss)	**(693,460)**	**(10,403,065)**	**(8,888,227)**	**(3,229,017)**	**(17,913,984)**	**(23,573,194)**	**(60,579,448)**
Other Comprehensive Income	-	-	-	-	-	-	-
Total Comprehensive Income (Loss)	**(693,460)**	**(10,403,065)**	**(8,888,227)**	**(3,229,017)**	**(17,913,984)**	**(23,573,194)**	**(60,579,448)**

Table 3: SPNEC Summary of Financial Position					
Amounts in ₱0.00	As of 31 December			As of 30 June 2021 (Audited)	As of 30 June 2022 (Audited)
	2018 (Audited)	2019 (Audited)	2020 (Audited)		
Assets					
Cash	3,148,283	713,743	22,298,155	351,251	886,758,302
Due from a related party	-	-	-	-	541,700,000
Other current assets	19,751	20,750	25,370	776,092	20,789,388
Total Current Assets	**3,168,034**	**734,493**	**22,323,525**	**1,127,343**	**1,449,247,690**
Right-of-use assets	-	45,986,437	44,146,980	297,751,234	286,910,494
Deposits for land acquisition	34,926,712	-	-	537,000,000	621,499,933
Construction in progress	-	-	-	-	921,385,618
Deferred tax assets	-	-	-	-	10,466,264
Other noncurrent assets	4,311,742	11,265	11,265	1,370,284	114,218,371
Total Noncurrent Assets	**39,238,454**	**45,997,702**	**44,158,245**	**836,121,518**	**1,954,480,680**
Total Assets	**42,406,488**	**46,732,195**	**66,481,770**	**837,248,861**	**3,403,728,370**
Liabilities and Equity					
Accounts payable and accrued expenses	56,564	583,084	578,288	6,728,056	13,000,260
Due to related parties	44,030,325	10,668,623	17,387,923	22,792,348	22,792,348
Current portion of lease liabilities	-	4,311,742	4,311,742	14,004,465	4,538,676
Total Current Liabilities	**44,086,889**	**15,563,449**	**22,277,953**	**43,524,869**	**40,331,284**
Lease liabilities - net of current portion	-	43,252,212	42,988,010	275,521,361	289,340,172
Deferred tax liability	-	-	-	904,291	-
Total Noncurrent Liabilities	**-**	**43,252,212**	**42,988,010**	**276,425,652**	**289,340,172**
Capital Stock	250,000	250,000	1,000,000	542,435,000	**812,435,001**
Subscription Receivable	(187,500)	(187,500)	-	-	-
Additional paid-in capital stock	-	-	21,250,000	-	2,347,338,021
Deficit	(1,742,901)	(12,145,966)	(21,034,193)	(25,136,660)	(85,716,108)
Total Equity (Capital Deficiency)	**(1,680,401)**	**(12,083,466)**	**1,215,807**	**517,298,340**	**3,074,056,914**
Total Liabilities and Equity	**42,406,488**	**46,732,195**	**66,481,770**	**837,248,861**	**3,403,728,370**

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Table 4: SPNEC Cash Flow Statements					
Amounts in ₱0.00	Calendar Year Ended 31 December			For the Six-Month Periods ended 30 June	For the Year ended 30 June
	2018 (Audited)	2019 (Audited)	2020 (Audited)	2021 (Audited)	2022 (Audited)
CASH FLOWS USED IN OPERATING ACTIVITIES					
Loss before income tax	(693,460)	(10,403,065)	(8,888,227)	(17,009,693)	(71,950,003)
Adjustments for:					
Interest accretion of lease liabilities	-	4,049,803	4,047,540	5,624,883	9,142,009
Amortization of ROU assets	-	1,839,457	1,839,457	3,118,537	5,420,370
Provision for impairment loss on input VAT	4,620	14,243	109,091	-	-
Unrealized foreign exchange loss	-	-	-	-	274,709
Interest income	(389)	(895)	(286)	(6,013)	(548,180)
Operating loss before working capital changes	**(689,229)**	**(4,500,457)**	**(2,892,425)**	**(8,272,286)**	**(57,661,095)**
Increase in:					
Other current assets	(24,371)	(15,243)	(113,711)	(755,342)	(20,013,297)
Increase (decrease) in accounts payable and accrued expense	(19,525)	526,520	(4,796)	6,149,768	6,272,205
Net cash used in operations	(733,125)	(3,989,180)	(3,010,932)	(2,877,860)	(71,402,187)
Interest received	389	895	286	6,013	548,180
Net cash flows used in operating activities	**(732,736)**	**(3,988,285)**	**(3,010,646)**	**(2,871,847)**	**(70,854,007)**
CASH FLOWS USED IN INVESTING ACTIVITIES					
Deposits for land acquisition	(2,000,000)	-	-	(537,000,000)	(84,499,933)
Construction in progress	-	-	-	-	(906,749,770)
Additions to right-of-use assets	-	-	-	(20,121,600)	-
Due from a related party	-	-	-	-	(541,700,000)
Decrease (increase) in other noncurrent assets	(4,311,742)	(11,265)	-	(1,354,399)	(112,848,087)
Net cash flows used in investing activities	**(6,311,742)**	**(11,265)**	**-**	**(558,475,999)**	**(1,645,797,790)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of common stocks	-	-	22,000,000	541,435,000	2,599,338,022
Additional capital contribution	-	-	-	-	18,000,000
Collection of subscription receivable	-	-	187,500	-	-
Net advances from related parties	10,068,030	1,565,010	6,719,300	5,404,425	-
Stock issuance costs	-	-	-	(7,438,483)	-
Payment of lease liabilities	-	-	(4,311,742)	-	(14,004,465)
Net cash flows from financing activities	**10,068,030**	**1,565,010**	**24,595,058**	**539,400,942**	**2,603,333,557**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**-**	**-**	**-**	**-**	(274,709)
NET INCREASE (DECREASE) IN CASH	3,023,552	(2,434,540)	21,584,412	(21,946,904)	886,407,051
CASH AT BEGINNING OF THE PERIOD	124,731	3,148,283	713,743	22,298,155	351,251
CASH AT END OF PERIOD	**3,148,283**	**713,743**	**22,298,155**	**351,251**	**886,758,302**

Change in Fiscal Year End

On 29 March 2021, the Board of Directors approved the Company's change in fiscal year, which will start from July 1 and end on 30 June of each year. On 6 April 2021, the Company filed with the SEC the change in fiscal year and was approved by the SEC on 14 April 2021. The complete requirements for the change in accounting purposes were submitted to the BIR on 20 May 2021, which was

subsequently approved on 26 August 2021. The Company's new accounting period is revised from Calendar Year (1 January to 31 December) to Fiscal Year (1 July to 30 June) effective taxable year.

Accordingly, as the fiscal year ended 30 June 2021 is a transitional period, the "fiscal year ended 30 June 2021" for the Company comprised the six months from 1 January 2021 to 30 June 2021 coming from a fiscal year/calendar year ending on 31 December 2020. In this Prospectus, such "fiscal year ended 30 June 2021" of the Company is referred to as the "six months ended 30 June 2021". As the reporting of accounts for the six months ended 30 June 2021 is irregular, the Company's results of operations, financial condition, and cash flows as of and for the six months ended 30 June 2021 are not comparable to the Company's results of operations, financial condition, and cash flows as of and for the calendar year (12 months) ended 31 December 2020.

Other Forms of Financial Resource Flows

After the Offer, the Company will remain to be a subsidiary of SPPPHI. At the discretion of and upon approval of the respective Boards of Directors of SPNEC and SPPPHI, the Company may receive advances from the Parent Company as either debt, convertible debt or as deposits for future stock subscriptions subject to any covenants, conditions or prohibitions imposed on the Company under any financing documents.

If SPPPHI and SPNEC agree that such advances are for future stock subscriptions, the conversion of such into outstanding common shares shall not prejudice in any way the subscription rights of other shareholders and shall be done in accordance with prevailing rules and regulations of the SEC and the PSE.

As of 30 June 2022, the Company's audited financial statements include advances from SPPPHI in the amount of ₱22,792,348.

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INVESTMENT CONSIDERATIONS AND RISK FACTORS

An investment by prospective investors in the Offer involves a number of risks. The Company's past performance is neither an indication nor a guide to its future performances. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements or may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying and selling price of these securities. For investors that deal in a range of investments, each investment carries a different level of risk.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below before deciding to invest in the Offer. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business prospectus, financial condition, results of operations, the market price of the Offer, and the Company's ability to make dividend distributions to its shareholders. All or part of an investment in the Offer could be lost.

This Prospectus also contains forward-looking statements and forward-looking financial information that involve risks, uncertainties, and assumptions. The Company's actual results could differ materially from those anticipated in these forward-looking statements and forward-looking financial information as a result of certain factors, including the risks faced by the Company as described below and elsewhere in this Prospectus.

This risk factors discussion does not purport to disclose all risks and other significant aspects of investing in the Offer. Investors should undertake independent research and study in trading of securities before commencing any trading activity. Investors may request for publicly available information on the Rights Shares and the Company from the SEC. An investor should seek professional advice if he or she is uncertain of or has not understood any aspect of this Offer or the nature of risks involved in purchasing, holding, and trading the Rights Shares. Each investor should consult their own counsel, accountant, and other advisors as to the legal, tax, business, financial, and other related aspects of an investment in the Shares.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to the Company's business, results of operations, financial condition, and prospects.

Risks Relating to the Company and the Solar Business

No Operating History and Track Record

SPNEC was incorporated on 23 November 2016 to enter the RE business. As Phase 1A has yet to start commercial operations, it has no operating history and track record. Because the Company lacks an operating history, the investor may have no basis to evaluate the Company's ability to achieve its objective of commissioning the Project. If the Company becomes unsuccessful in commissioning Phase 1A of the Project, the Company may never generate any operating revenues.

Nevertheless, investors may look to the Parent Company and SP Group's track record in developing and operating solar projects, both for rooftop and utility-scale applications. The SP Group has been operating solar rooftop power plants since 2014, has been operating the Calatagan Solar Farm since 2016, and has been operating the Tarlac Solar Farm since 2019. The SP Group's management and technical team have extensive experience in developing, constructing, and operating solar projects.

Furthermore, SPNEC's Management believes that its organization, business systems, and processes have been built up substantially to the level adequate to implement its business plan. Moreover, the Company's Board of Directors has an established record in leading organizations that are leaders in their respective sectors.

Unsuccessful Implementation of Business Plans and Growth Strategies

The Company's future operating and financial performance and success largely depend on its ability to implement its business strategies successfully. There can be no assurance that the Company will successfully implement the business strategies described in this Prospectus or those to be developed by its Management, or that implementing these strategies will sustain or improve and not harm its results of operations in targeted sectors. The Company's ability to implement its business strategies depends on, among other things, its ability to finance its operations and future projects, respond to regulatory changes, and retain and attract highly skilled technical and managerial personnel.

The upfront capitalization required is substantial, and delays of capital infusion and project execution and commissioning may hinder profitability, and adversely affect the Company's ability to raise financing for its solar projects and its ability to contract as future customers may doubt SPNEC's ability to execute projects.

Furthermore, SPNEC's development of new projects is subject to substantial risks that could give rise to delays, unanticipated cost overruns, unsatisfactory construction, or development, or the total or partial loss of SPNEC's interest in the project under development, construction, or expansion. Such risks to development include:

- The need to incur expenses for preliminary engineering, permits, and development and other expenses before determining whether a project is feasible, economically attractive, or capable of being financed;
- The inability to sign acceptable Off-take Agreements;
- The inability to secure adequate project financing;
- Shortages and insufficient quality of equipment, materials, and labor and the breakdown or failure of equipment or processes;
- Social unrest and terrorist activities that may prevent the completion of projects;
- Engineering and environmental problems;
- Construction and operational delays or unanticipated cost overruns;
- Failure by key contractors and vendors to timely and properly perform their obligations; and
- Adverse environmental and geological conditions (including inclement weather conditions).

Any such delays, unanticipated cost overruns, unsatisfactory construction or development, or total or partial loss of SPNEC's interests in such projects could have a material adverse effect on SPNEC's business, financial condition, and results of operation.

SPNEC is confident that it can mitigate the following risks through the SP Group:

a) Financing Risks – The SP Group secures financing from a variety of lenders and international institutions, which can provide SPNEC access to such lenders and institutions that will allow it to pursue the projects to generate revenue.

b) Execution Risks – The SP Group executes and completes its projects through its own in-house engineering team, which SPNEC can also tap for its own projects. Where these are insufficient, SPNEC can also call upon the expertise of its sister companies within the SP Group to provide technical assistance and support.

c) Quality Assurance Risks – The SP Group has an established auditing system in its Project Management Office that conducts random checks and spot audits in order to uphold the integrity and quality of work, and ensure that these systems are operationalized according to the highest standards.

The Company will continuously evaluate its strengths and possible weaknesses and the risks to which its operations are exposed in order to mitigate them. It will prudently execute its expansion strategies and leverage on the expertise of the SP Group's senior management team who have many years of local and international experience in the renewable energy field. Accordingly, it will revise its key strategies to take advantage of its strengths and mitigate if not eliminate the negative impact of the risks on its operations.

Potential Termination and Expiry of Solar Energy Service Contract

Any inability or failure by SPNEC to comply with the terms and conditions in the SESC may constitute a material breach that could lead to its termination.

The Project depends on the Company's rights under the SESC, which, therefore, needs to remain effective. The SESC gives SPNEC exclusive rights to explore, develop, and utilize solar energy resources within the defined contract area. The SESC has a term of 25 years, from the date of execution, renewable for another 25 years.

At present and based on the SESC, SPNEC is constructing the first phase of the Project.

Although the SESC may be extended up to 2067, the Company may opt to apply for a new SESC once the existing SESC expires.

Third-Party Claims in Areas Covered by the SESC

According to the 1987 Philippine Constitution, all forces of potential energy and natural resources, including solar energy, within the country's territory belong to the state. Any exploration, development, and utilization of such are under the full control of the state. The SESC is awarded to a developer without prejudice to the ownership of the land covered in the said SESC. Hence, failure to secure ownership or possessory rights over such land may give rise to third party claims that could stop or delay project implementation since the SESC does not grant land ownership or possessory rights.

As of 31 December 2021, the Company has leasehold rights over 352.42 hectares of which 169.86 hectares have been converted to industrial use as of 30 April 2021. On 11 October 2021, the DAR issued the Certificate of Finality to the Company to effectively cause the conversion of said land from agricultural to industrial classification. This will provide the site for Phases 1 and 2.

The Company will apply for the conversion of the remaining 182 hectares. The Company intends to expedite this application for conversion under DAR Administrative Order No. 03 Series of 2021, which recognizes that energy projects as Special Project Undertakings (SPU) that benefit the public and the community as recognized by the LGU and the appropriate government agency. To also facilitate the conversion application, the Company has secured resolutions of no objection and support from the LGUs and the SESC from the DOE and is in constant coordination with the DAR.

While the lease agreements allow a renewal for a period of five or more years upon agreement of the parties, said renewal is not assured. The Company's lease contracts are annotated in the titles of the covered lands to bind third persons. This means that the Company is the registered lawful possessor of the leased lands, minimizing any risk of eviction from the premises by third parties.

Transactions with Related Party

In the ordinary course of business, SPNEC transacts with its related parties, including the Parent Company. These transactions have principally consisted of advances for working capital, deposits for land acquisitions, and administrative and advisory services on management.

While the Company believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest, which, although not contrary to law, may be detrimental to the Company.

SPNEC has instituted internal policies with respect to related party transactions and ensures that it is compliant with the policies instituted on transactions involving related parties. Relevant related party transactions are also discussed at the Related Party Transactions Committee that oversees such matters. See "Certain Relationships and Related Party Transactions" on page 193 of this Prospectus.

In compliance with Revenue Regulations Nos. 19-2020 and 34-2020, the Company submitted BIR Form No. 1709 or the Information Return on Transactions with Related Party for taxable year ended 30 June 2021 on 8 October 2021.

Failure to Obtain Financing or the Inability to Obtain Financing on Reasonable Terms

The Company's operations, growth, and expansion plans are expected to be funded mostly by a combination of debt and equity. The Company's ability to raise additional equity financing from non-Philippine investors is subject to foreign ownership restrictions imposed by the Philippine Constitution and applicable laws.

The Company's access to debt financing as a source of funding for new projects and for refinancing maturing debt is subject to several factors, some of which are outside of the Company's control, including political instability, economic downturn, social unrest, changes in law or the bankruptcy of an unrelated power generation company, potentially increasing the Company's cost of borrowing or restricting the Company's access to credit markets.

Although the SP Group has successfully raised funding via equity for its ongoing projects, the Company cannot guarantee that it will continue to be able to arrange financing on acceptable terms. The Company's inability to obtain financing would adversely affect its ability to develop, construct and operate solar plants and execute its growth strategies.

To manage these risks, the Company has developed financial plans with the assistance of competent professional advisers.

Inability to Maximize Plant Capacity with Off-take Agreements

In 4 February 2022, the Company secured a 10-year Off-take Agreement with Angeles Electric Corporation ("**AEC**"), a distribution utility in Pampanga Province under which SPNEC will supply AEC 97.8 MWh daily, representing a portion of the Project's capacity to supply energy once completed. In addition, the Company won a 280 MW contract in the recently concluded DOE GEAP. The Company intends to continue to pursue additional Off-take Agreements through contracting on an opportunistic basis with RESs, and/or Distribution utilities ("**DUs**") by participating in further Competitive Selection Processes ("**CSPs**"). In the absence of additional Off-take Agreements, the Company intends to supply its excess generation power through the WESM.

The Company is working to secure additional Off-take Agreements with RESs and participating in CSPs. If additional Off-take Agreements are still in the process of being obtained, the Company will sell power through the WESM at rates based on spot market prices. There can, however, be no assurance that the Company will be able to enter into additional Off-take Agreements, or if it does, that the pricing may be too low to make the Project highly profitable, even at WESM prices, which could have a material adverse effect on SPNEC's business and financial condition.

The WESM may be an attractive off-take option for SPNEC, because the energy produced by SPNEC is often available during the times when demand is highest, and, as a variable renewable energy, has priority dispatch over generation from other sources, ensuring SPNEC's energy will always be sold through the WESM at the spot price. Historical WESM prices based on the solar generation profile, averaged at around ₱3.92/kWh from 2015 to 2020. In 2021, WESM prices, based on the solar generation profile, averaged at ₱5.77/kWh.

Electricity prices fluctuate substantially due to several factors outside of the Company's control including, but not limited to:

- Changes in the generation capacity in the market, including new supply from new or expanded power plants, or decreased supply from decommissioning of existing power plants;
- Additional transmission capacity;
- Electric supply disruptions, such as power plant outages and transmission disruptions;
- Changes in power demand or in patterns of power usage, including the potential development of demand-side management tools and practices;
- The authority of the ERC to review and adjust the prices on the WESM;
- Climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks, and other catastrophic events;
- Availability of competitively priced alternative power sources; and
- Changes in the power market and environmental regulations and legislation.

These factors may have a material adverse effect on the Company's business, financial condition, and operations.

While there is an upside for SPNEC to sell its energy at higher prices, the Company aims to make its project viably sell at much lower costs. Management works towards achieving cost-efficiency by leveraging the SP Group's capabilities in Engineering, Procurement, Construction ("**EPC**") and Operation and Maintenance ("**O&M**") to achieve cost-efficiency.

Validity and Enforceability of Off-take Agreements

Any inability or failure on the part of SPNEC to meet its obligations or comply with the terms and conditions under any of the Off-take Agreements that the Company may enter into, may constitute a material breach thereof and could lead to the cancellation or termination of such Off-take Agreement. To mitigate this risk, the Company will employ its best efforts to negotiate for provisions that SPNEC can favorably satisfy in its Off-take Agreements, as well as achieve cost-efficiency such that SPNEC can be viable even in the absence of an Off-take Agreement.

Failure to Connect to the Grid

To connect to the Grid, the prospective transmission customer submits a letter of intent to the NGCP as stipulated in the Philippine Grid Code (PGC), the Open Access Transmission Service (OATS) Rule, and NGCP's grid connection procedure. Should NGCP find the submissions at par with its requirements and upon DOE's provision of a clearance to conduct a System Impact Study ("**SIS**"), the NGCP shall issue an Offer of Service for the conduct of the SIS to the applicant after its technical evaluation.

Upon payment of relevant fees, the NGCP shall commence the SIS to ensure, among others, the adequacy, capability, and security of the Grid. Under the PGC, the SIS is a study to determine the viability of a proposed project's connection to the grid as well as identify any grid reinforcements that may be implemented to ensure safety and reliability of the grid applying NGCP's mandate under the Electric Power Industry Reform Act ("**EPIRA**" or "**RA 9136**") to observe open and non-discriminatory access to the Grid.

After the release of the SIS, the proponent will be asked to submit a Facility Study aligned with the results of the SIS. SPNEC received confirmation on 12 May 2020 that the SIS was finalized in January 2020. The Company proceeded to submit the Facility Study, which was approved on 28 May 2021.

Consequently, upon the approval of the Facility Study, the proponent shall secure Service Agreements with the NGCP, namely the Connection Agreement (CA), Metering Service Agreement (MSA), and Transmission Service Agreement (TSA). The CA shall be secured prior to plant construction while the TSA and MSA shall be executed once the plant is constructed. In addition, before energization, the proponent shall comply with all Energization Requirements as prescribed by the NGCP. The NGCP shall then issue the Final Approval to Connect to the Grid once the plant is energized, tested, and commissioned. On 26 January 2022, the Company executed a CA with the NGCP. All other remaining permits required for operation shall be secured once the plant is ready to be energized.

Section 9 of RA 9136 mandates open and non-discriminatory access to the power transmission system, subject to technical evaluation. However, the Company needs to be compliant with the technical requirements of the Grid Operator (i.e., NGCP). To mitigate the Company's risks of not being able to connect to the Grid and to ensure that the Company will pass the technical evaluation of the Grid Operator and can facilitate prompt action on requirements concerning connection to the Grid, the Company has hired engineering professionals and external consultants and has maintained constant communication with the Grid Operator.

Fluctuations of Prices in the Wholesale Electricity Spot Market

The Company plans to sell its excess supply through the WESM, in the absence of other off-take agreements. This exposes the Company to volatility and uncertainty in the spot market. Wholesale electricity spot market prices may fluctuate due to the following factors:

- Changes in generation capacity due to new power supply from new, rehabilitated or expanded power plants, and decreased supply from decommissioning of existing plants;
- Electric supply disruptions due to plant outages or transmission disruption;
- Fluctuating power demand or patterns of usage;
- Availability of cheaper alternative energy sources; and
- Changes in law.

The volatility in electricity market prices may have a material adverse effect on the financial condition and operations of the Company.

The SP Group will leverage its experience in marketing power. In addition, the Company's strategy to focus on solar gives it an advantage in cost, which helps mitigates the impact from a decrease in electricity prices.

Liquidity Risk Considering the Company's Pre-Operating State

The Company expects that its Project will start getting positive operating cashflows once it starts the operation of its Phase 1A power plant. This takes into consideration the construction and commissioning of Phase 1A and its interconnection with the NGCP.

Although there may be liquidity risks during the construction period, the Company expects that its programmed allocation of IPO proceeds towards general corporate purposes will be enough to mitigate this liquidity risk. SPNEC has programmed ₱180 million for general corporate purposes. The Company may also opt to fulfill any funding shortage from additional equity and debt sources.

High Dependence on a Few Key Customers and Credit and Collection Risk

As in other businesses, the power business is exposed to credit and collection risks related to its customers. As the Company has not yet started commercial operations, it is not yet exposed to these risks. Moving forward, the Company foresees among its customers to be DU's or RES's. There can, however, be no assurance that all customers will pay the Company in a timely manner or at all. In such circumstances, the Company's working capital needs may increase. If a large amount of its customers is unable or unwilling to pay the Company, its financial condition could be negatively affected.

Given the potential collection risk, the Company will review the capability of its off-takers as part of the accreditation process and ensure that its Off-take Agreements protect against the risk of non-payment. In the event of a particular off-taker's default because the Project is connected to national grid, it will be able to sell to the many other off-takers also connected to the national grid or to the WESM.

Dependence on SPPPHI's Key People

The Company did not employ any personnel as of 31 December 2017 to 30 April 2021. During this period, the Company's operations, business development, administrative, and finance functions were handled by the Parent Company. The Company relies on the services of SPPPHI's executive officers and other members of its senior management team. On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from 1 May 2021 to 30 April 2024, in which the parties, upon mutual agreement, may renew or extend. Before the commissioning date, which is expected to be in the next 12 months, the Company will hire approximately a total of 45 professionals and engineers for plant O&M. As of 26 December 2021, the Company has deployed five employees under SPCRPI to perform preliminary site works and six employees under Solar Maintenance Service Corporation to perform initial site clearing operations.

The loss of key employees or any other member of the Parent Company's senior management team could have a material adverse effect on the Company's business. SPPPHI may not be able to retain or replace these key employees in the immediate term. Several of the Parent Company's current key employees, including the Company's executive officers, are subject to post-employment non-compete and non-disclosure clauses in their employment contracts. Although the Parent Company's employees can resign from their employment at any time after due notice, these employment contract clauses protect the Company from its employees leaving to work for competitors and giving away trade secrets and confidential and sensitive business information and plans. The risk of stoppage of the Company's projects and works by losing key personnel is mitigated by hiring the services of qualified consultants who will supervise the project from start to completion. Part of their scope is to review the work performed by the Company's experts and provide value engineering services.

The key personnel possess technical and business capabilities that would be difficult to replace in the immediate term. The loss or diminution in the services of the Parent Company's senior management or other key team members, or its failure to maintain the necessary management and other resources to operate and grow SPNEC's business could have a material adverse effect on SPNEC's business. In addition, as the Company's business develops and expands, the Company believes that its future success will depend on the Parent Company's and the Company's ability to attract and retain highly skilled and qualified personnel, which cannot be guaranteed. The Parent Company and SPNEC recognize that employees are a critical resource. The risk of losing these talents is mitigated through implementation of employee engagement programs, competitive compensation and benefits, training programs, succession planning, and creation of a company culture that promotes employee well-being, excellence, integrity, and meritocracy. Under extreme situations where the Parent Company and SPNEC might find it difficult to hire skilled professionals in the Philippines, the Parent Company or SPNEC will tap its network outside the country to procure the talent needed.

Reliance on Importation of Critical Parts (Suppliers)

The supply of major equipment such as PV modules, inverters, and other peripherals, which are usually sourced from abroad, may be a source of concern. Where issues on port congestion and other logistical problems arise especially during the time of COVID-19 pandemic, this may be a source of delay in the completion of projects that may impact the Company's revenue stream.

Fortunately, the Company is able to secure its supplies either from the port of Manila or Batangas for this purpose; thus, potential logistical issues on supplies are mitigated.

As solar technology becomes more and more accepted, the commoditization of parts is not far behind. By itself, this will reduce the risks of SPNEC being unable to source critical supplies from a single or limited group of suppliers.

Moreover, although subject to the 12% value-added tax ("**VAT**"), the importation of the foregoing major equipment is exempt from customs duties, which is among the tax incentives that the Company can avail as a BOI-registered RE Developer.

Fluctuations in Foreign Currency Exchange Rates

The Company's debt and equity financing are, and its future sales and cash inflows will be, denominated in Philippine Peso, while purchases on certain imported equipment are in currencies other than Philippine Peso, mostly the U.S. dollar. The movements in exchange rates between the Philippine Peso and the U.S. dollar between the time that the Company receives funds in Philippine Pesos and the time it spends them in U.S. dollars could have an adverse effect on its results of operations and financial condition. To manage the risk, the Company will factor in sufficient margins in its budgets and Off-take Agreements to account for potential depreciation of the Philippine Peso.

Limited Experience in Operating and Maintaining PV Systems

Notwithstanding its limited operating history and track record, the Company's management believes that its organization, business systems, and processes have been built up substantially to the level adequate to set up and operate its various solar projects, as the SP Group has done in its other solar projects.

Changes and Inconsistencies in Philippine Laws and Regulations

The Company's businesses are subject to various Philippine laws and regulations. The DOE is mandated by RA No. 7638 (Department of Energy Act of 1992) to prepare, integrate, coordinate, supervise and control all plans, programs, projects, and activities of the Government relative to energy exploration, development, utilization, distribution, and conservation.

Furthermore, the Renewable Energy Act of 2008 provides the Company or its assignee the exclusive right to explore and develop particular RE areas under the said Act through a Renewable Energy Service Contract.

There is the risk that government regulators, both at the national and local levels, may implement more stringent policies and/or regulations in the future that will make it more difficult or more costly for the Company to operate its business. The Company has no control over these events. In any case, the Company has put into place a compliance team that focuses on ensuring the Company's adherence to laws, rules, and regulations that are in effect.

Taxation

The Philippines currently offers incentives that encourage investment in RE operations to address the power crisis. These incentives include the following:

- Income tax holiday ("**ITH**") for the first seven years of its commercial operations;
- Duty-free importation of RE machinery, equipment, and materials and parts thereof, including control and communication equipment, within the first 10 years upon the issuance of a certification of an RE developer;
- Special realty tax rate on equipment and machinery and other improvements of a registered RE developer actually and exclusively used for RE facilities which shall not exceed 1.5% based on the original cost less accumulated normal depreciation or net book value;
- NOLCO during the first three years from the start of commercial operation which had not been previously offset as deduction from gross income for the next seven consecutive taxable years immediately following the year of loss;
- Corporate tax of 10% on net taxable income after the seven years of ITH;
- Accelerated depreciation, if, and only if, an RE project fails to receive an ITH before full operation;
- Zero percent VAT rate on sale of power generated from renewable sources of energy as well as on purchases of local supply of goods, properties and services needed for the development, construction, and installation of plant facilities;
- Tax exemption of carbon credits; and
- Tax credit on domestic capital equipment and services equivalent to 100% of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials, and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer.

The tax incentives provided under the Renewable Energy Act of 2008 are not affected by the laws repealed under Section 17 of Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE). As such, we expect that SPNEC will continue to enjoy the previously cited tax incentives.

However, there is no guarantee the existing tax regime will remain, and that no changes will be implemented that will be adverse to the Company's operations. The energy industry, however, maintains a liaison within the legislative branch of the Government that helps ensure that RE operations will continue to enjoy a fair tax environment in the years to come.

Permits and Licenses

The Company's business is highly regulated and the Company requires several licenses, approvals, registrations, consents, and permits to operate its businesses in the Philippines. The Company may need to apply for approvals, including the renewal of approvals that may expire from time to time, as and when required in the ordinary course of business. If the Company fails to obtain or renew such licenses, approvals, registrations, consents, and permits in a timely manner (such as but not limited to Bureau of Customs Registration Certificate, DENR Tree Cutting Permit, ERC Certificate of Compliance, ERC Approval of Transmission Point-to-Point, and WESM Registration, which permits are in the process of being secured or to be secured in due time), the Company may not be able to execute its solar

power projects, which could affect the Company's business, financial condition, and results of operations.

Furthermore, Government approvals and licenses are subject to numerous conditions, including adherence to emission standards and regular monitoring and compliance requirements, some of which are onerous and require the Company to incur some level of expenditure. The Company may incur some costs, including clean up and/or remediation costs, fines and civil or criminal sanctions, as a result of violations of or liabilities under environmental or health and safety laws, which may have a material adverse effect on the Company's business or financial condition. The Company cannot assure investors that approvals, licenses, registrations, consents, and permits issued to the Company will not be suspended or revoked in the event of non-compliance with any terms or conditions thereof, or pursuant to any regulatory action. Any failure to renew the approvals that have expired or apply for and obtain the required licenses, approvals, registrations, consents, or permits, or any suspension or revocation of any approvals, licenses, registrations and permits that have been or may be issued to the Company, may materially and adversely affect the Company's operations. Please see subsection "Permits and Licenses" on page 110 of this Prospectus for more details, including such approvals for which applications are pending before relevant authorities.

To manage the risks in changes to relevant Philippine regulations, legislation, industry structure, and safety, health, & environmental compliance, the Company continually tracks current and potential changes, practices scenario planning for changes with negative impact, and participates in dialogues with regulators on upcoming policy changes. Furthermore, the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture in its organization.

Insurance Coverage

The Company's operations carry inherent risks of personal injury and loss of life, damage to or destruction of property, plant, and machinery, and damage to the environment. The Company intends to maintain robust insurance coverage, customary in its industry to cover for risks such as fire, theft, flood, earthquakes, and terrorism, and in amounts that the Company believes are commercially appropriate, including insurance against damage, loss of profit, and business interruption, marine inland transit, and third-party liability insurance with respect to the Company's assets. However, such insurance may not adequately cover all losses or liabilities that may arise from the Company's operations, including, but not limited to, when the loss suffered is not easily quantifiable. Even where the Company has made a claim under an existing insurance policy, the Company may not be able to successfully assert the Company's claim for any liability or loss under such insurance policy. If the Company's losses significantly exceed the Company's insurance coverage or cannot be recovered through insurance, the Company's business, financial condition, and results of operations could be materially and adversely affected.

To manage the risks of having incomplete insurance coverage, the Company leverages on the Group's experience in obtaining insurance for its operational power plants on risks related to constructing and operating a solar project. To manage the risk of failing to assert the Company's claim on insurance, a protocol will be set up to properly monitor, document, assess, and report incidents that are covered by insurance policies in place.

Pledge of SPNEC Shares owned by the Parent Company

The Parent Company pledged all its SPNEC Shares to ACEN Corporation ("**ACEN**"). See the sub-section "Pledge of SPNEC Shares owned by the Parent Company" on page 76 on the description of the pledge. The lender may sell or otherwise dispose of the SPNEC shares upon the occurrence of an Event of Default by the borrower, and the borrower's subsequent failure to pay the outstanding principal amount of the loan and all interests accrued and unpaid, if any, secured by the Pledge. This exposes the Company to the risk of being acquired and controlled by another entity.

The pledge of Shares was made pursuant to SPPPHI's obligations to ACEN under the loan agreement between ACEN as lender and Provincia Investments Corporation ("**PIC**") as borrower, with SPPPHI as sponsor.

PIC is studying the viability of prepaying the loan. The loan agreement grants the borrower the right to prepay the loan partially or fully, at any time. Prepayment will lead to the release of the pledged shares, partially if prepayment is partial, and the pledge's extinguishment once the loan is paid in full.

SPPPHI also plans to pursue one or more of the following, separately or in combination: (a) novation of parties, i.e., the pledgor being replaced by a Solar Philippines entity with the concomitant change in shares in pledge; (b) novation of obligation, i.e., change in collateral as in real estate mortgages in lieu of the pledge; and (c) change in the object of the pledge, e.g., shares of another SPNEC affiliate being substituted for SPNEC's pledged shares. There is no assurance that the borrower or SPPPHI will proceed and undertake to pursue the above actions; neither is there any guarantee that ACEN will agree to a change in collateral.

Proposed Share Swap Transaction with SPPPHI

On 24 February 2022, the Board approved the Company's acquisition of 100% of the outstanding shares held by SPPPHI in various entities ("**Solar Philippines Assets**") through an asset-for-share swap, with SPPPHI subscribing for 24,373,050,000 shares of SPNEC at ₱2.50 per share ("**Share Swap**"). This Share Swap would be enabled by the increase in authorized capital stock from 10 billion Common Shares to 50 billion Common Shares, which was approved by SPNEC's Board of Directors on 10 January 2022, and by SPNEC's stockholders on 7 March 2022, subject to regulatory approvals.

On 15 August 2022, SPNEC and SPPPHI signed the Share Swap Agreement, which is due to be filed for regulatory approval. Until such approval is obtained, the Share Swap would not yet be effective. The Company is committed to completing the absorption by SPNEC of the Solar Philippines Assets and would seek to address any steps that may arise to achieve such. To mitigate this risk, the Company has carefully planned the execution of the Share Swap with its team of legal and financial advisers.

With the Share Swap, the Company faces the risks involved in acquiring new companies that will now own both assets and liabilities of these new companies and may expose itself to risks borne by these. However, these risks are mitigated since the Company is acquiring affiliates that are under the same control. Furthermore, management undertakes rigorous due diligence with the assistance of its legal, financial, and tax advisers to ensure that the acquisitions will be adding value to the Company.

After the Share Swap, the public float may decrease to 12.44% due to SPPPHI's subscription of SPNEC shares. The Company plans to meet and maintain the 20% public float requirement by undertaking a potential follow-on offering, stock rights offering, private placement, or a combination thereof within 12 months from breaching the minimum PSE- required public float of 20%.

On-Going Legal and Administrative Proceedings

As of Prospectus Date, the Company is not involved in any material litigation, arbitration, or similar proceedings, and is not aware of any such proceedings pending or threatened against it or any of its properties, which are or might be material.

The Company's affiliates are likewise currently involved in proceedings before the Energy Regulatory Commission ("**ERC**"), which, although material, are non-litigious and in the ordinary course of business of any company engaged in renewable energy development, operations, and production.

The Company and its affiliates do not expect to be involved in any litigation. In the event of litigation, it shall ensure that it will exercise all legal remedies to defend itself and protect its interests.

To mitigate these risks, the Company and its affiliates continue to consult and engage legal counsel to advise management on appropriate legal actions. In addition, management and its internal legal counsel keep track of regulatory changes and developments to ensure compliance and mitigate exposure to legal risks.

Risks Relating to the Philippines

Risks relating to the Philippines are systemic in nature and outside the Company's control. However, the Company intends to continue to maintain appropriate financial and operational controls and policies within the context of the prevailing business, economic, and political environment taking into consideration the interests of its shareholders, customers, and other stakeholders.

Any Downturn in the General or Economic Conditions in the Philippines

Historically, the Company's results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy and as a result, its income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the peso and the imposition of exchange controls.

In addition, global financial, credit and currency markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U. S. and the global economy, which would be likely to cause a deterioration of the economic conditions in the Philippines. There can be no assurance that current or future governments will adopt economic policies conducive to sustaining economic growth, and the Company cannot provide assurance of effective mitigation to such systemic risk.

In 2020, the COVID-19 pandemic crippled the global economy, including that of the Philippines. COVID-19 was declared as a pandemic by the World Health Organization and spread globally over the course of the ensuing years. Countries around the world have taken numerous measures in varying degrees to contain the spread of COVID-19, including community quarantine or lockdowns, social distancing directives, suspension of operations of non-essential businesses and the imposition of travel restrictions and transport of goods, which greatly affected businesses, eventually leading to a global economic recession. The Philippine government implemented a lockdown in 2020, considered one of the longest and strictest in the world, to control the spread of the virus but at the great expense to the economy. The Philippine economy contracted by -9.6% year-on-year in 2020, its steepest economic contraction on record. The figure was also the country's first economic recession in more than two decades when the economy posted a negative GDP growth of 0.5% back in 1998.

However, hopes of a gradual recovery of the domestic economy remained at the start of 2021 as the country began to adjust and cope with the effects of the pandemic and given the accelerated rollout of COVID-19 vaccines which commenced in March 2021. Despite posting a negative GDP growth of 3.9% during the 1Q 2021 in view of the effects of the lingering pandemic, the Philippine economy rebounded in 2Q 2021 with GDP expanding by 12.0% year-on-year as the government tried to balance the need to contain the pandemic and address the need to restore jobs and incomes among the working population by loosening mobility restrictions during the period. Positive GDP growth was likewise sustained for the succeeding quarters of the year with the economy growing at 6.9% and 7.7% year-on-year during the 3Q and 4Q of 2021, respectively. The country's GDP grew by 5.6% year-on-year in 2021, exceeding Government's adjusted target of 5.0% to 5.5% for the year. During 4Q 2021 or prior to the spread of the highly transmissible COVID-19 Omicron variant, the country saw a sharp decline in COVID-19 cases, encouraging most businesses to open at near or full capacity during the period.

For 2022, the Government is eyeing a GDP growth of between 7.0% to 9.0% and is hoping to return to pre-pandemic levels on the back of eased mobility restrictions and quarantine requirements.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's business, financial position, and operations, including the Company's ability to grow its business and implement business strategy.

Factors that may adversely affect the Philippine economy include: decreases in business, industrial, manufacturing or financial activities in the Philippines, Southeast Asia or globally; scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, Southeast Asia or globally; exchange rate fluctuations and foreign exchange controls; rising inflation or increases in interest rates; levels of employment, consumer confidence and income; changes in fiscal and regulatory policies; budget deficits; adverse trends in the current accounts and balance of payments of the Philippine economy; public health epidemics or outbreaks of diseases, such as re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-Cov), Severe Acute Respiratory Syndrome (SARS), avian influenza (commonly known as bird flu) or H1N1, and the COVID-19, or the emergence of another similar disease (such as Zika) in the Philippines or in Southeast Asia; natural disasters, including but not limited to tsunamis, typhoons, volcanic eruptions, earthquakes, fires, floods and similar events; political instability, terrorism, or military conflict; and other regulatory, social, political, pathological, climatic or economic developments in or affecting the Philippines.

Any downturn in the Philippine economy may have a negative impact on general business conditions in the Philippines, which may materially reduce the revenues, profitability, and cash flows of the Company.

Ability of Philippine Consumers to Absorb one of the Highest Electricity Costs in Asia

According to the Philippine Statistics Authority, the Philippines' Gross Domestic Product (GDP) posted a growth of 7.7% in the fourth quarter of 2021, resulting in a 5.6% full-year growth in 2021. This is an improvement from the 8.3% contractions recorded for the same quarter in 2020 and the 9.5% contraction in the full-year 2020. This is higher than the estimates of Philippine Development Budget Coordination Committee (DBCC) at 6.5% to 7.5% for 2021. Philippine DBCC projects the country's GDP to grow at 7.7% in 2022, 6.1% in 2023, and 5.1% in 2024. Similarly, the Philippine government sees an acceleration for 2022 and targets a 7% to 9% GDP growth for 2022, and 6% to 7% for both 2023 and 2024. On the other hand, the GDP forecasts of Asian Development Bank for 2022 is lower than Philippine DBCC estimates at 5.3% growth.

GDP growth is an indicator to consider for the Company's off-take strategy. Businesses and other establishments will continuously need cheaper sources of electricity to be able to sustain its growth, not wanting to miss momentum.

Moreover, the Philippines has the highest electricity rates in Southeast Asia and one of the highest in the world. As such, the average Philippine consumer may not be able to absorb continued increases in electricity costs resulting from, among other things, the volatile global oil prices and other inflationary pressures. Higher fuel prices may result in increased generation costs, which may, in turn, result in increased tariffs charged by the Distribution Utilities to levels that the consumers will be unable to absorb. Notwithstanding the Company's limited operating history and track record, the Company's management believes that its organization is well-positioned to offer competitive energy prices to potential customers, as evidenced by winning energy prices that the Company's affiliates have offered in Meralco's solar CSPs.

Political Risk or Social Instability in the Philippines

The Philippines has from time to time experienced political, social, and military instability. In the past decade, there have been political instability in the Philippines, including alleged extrajudicial killings, alleged electoral fraud, impeachment proceedings against two former presidents and chief justices of the Supreme Court of the Philippines, military uprisings and public protests arising from alleged misconduct by previous administrations. In addition, a number of incumbent and past officials of the Philippine government are currently under investigation on corruption charges stemming from allegations of misuse of public funds, extortion, and bribery. An unstable political environment may also arise from the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the Company. In addition, the Company may be affected by political and social developments in the Philippines and changes in the political leadership. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations.

There can be no assurance that the current or any new administration will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company.

Government May Temporarily Take Control of the Company's Business in Times of National Emergency

The Philippine constitution provides that in times of national emergency, when the public interest so requires, the Government may temporarily take over and direct the operation of any privately-owned public utility or business. The term "national emergency" has been interpreted to include threat from external aggression, calamities, or natural disasters, and strikes of such proportion as would paralyze government service. Recent jurisprudence has held that, in the event of such a temporary takeover, the Government is not required to compensate the private entity-owner of the business, nor may the private entity-owner that has been affected by the takeover claim compensation. If the Government takes control of the Company's business/es in times of national emergency, the Company's business, financial condition, and results of operations may be adversely affected.

Acts of Terrorism could Destabilize the Country

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings, and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to the Company's business and materially and adversely affect its financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on its business, financial condition, and results of operations.

Territorial Disputes among the Philippines and its Neighboring Nations

China and some Southeast Asian nations, such as Brunei, Malaysia, and Vietnam, have been engaged in competing and overlapping territorial disputes over islands in the West Philippine Sea (also known as the South China Sea). This has produced decades of tension and conflict among the neighboring nations. The West Philippine Sea is believed to house unexploited oil and natural gas deposits, as well as providing home to some of the biggest coral reefs in the world. China, in

recent years, has been vocal in claiming its rights to nearly the whole of the West Philippine Sea – as evidenced by its increased military presence in the area. This has raised conflict in the region among the claimant countries.

In 2013, the Philippines filed a case to legally challenge China's claims in the West Philippine Sea and to resolve the dispute under the United Nations Convention on the Law of the Sea. The case was filed on the Permanent Court of Arbitration, the international arbitration tribunal at The Hague, Netherlands. In July 2016, the tribunal ruled in favor of the Philippines and stated that China's claim was invalid. China rejected the ruling, claiming that it did not participate in the proceedings as the tribunal had no jurisdiction over the case. News reports have reported increased Chinese activity in the area, including the installation of missile systems and the deployment of bomber planes. Other claimants have challenged China's actions in the West Philippine Sea.

There is no guarantee that tensions will not escalate further or that the territorial disputes among the Philippines and its neighboring countries, especially China, will cease. In an event of escalation, the Philippine economy may be disrupted, and the Company's business and financial standing may be adversely affected. The Company cannot provide assurance of effective mitigation to such systemic risk.

Further escalation and widening of the Russian-Ukraine conflict can lead to potential global political, security and economic disruption

On 24 February 2022, Russia launched what the Russian government called as a "special military operations" in Ukraine. The invasion came after months of growing tension between Ukraine and Russia. The US and its allies have imposed targeted sanctions on Russia.

The ongoing war between Russia and Ukraine has adversely affected the global economy and financial markets. Likewise, fears that the crisis might further escalate and widen are seen to make the global markets anxious and unsteady which may lead to potential adverse implications on the global political, security and economic landscapes, unless a clear direction towards de-escalation is agreed upon.

There can be no assurance that the ongoing conflict between Russia and Ukraine will not further escalate and widen to into a full-fledged war involving NATO member countries including the US and its allies. Any such developments could have a negative effect, directly or indirectly, on the Philippine economic and business environment and eventually on the Company.

Corporate Governance and Disclosure Standards in the Philippines

There may be less publicly available information about Philippine public companies than that which is regularly made available by public companies in certain other countries. SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SEC requires publicly listed companies to have at least two independent directors, or such number of independent directors as is equal to 20% of its board of directors, whichever is lesser, but in no case less than two independent directors. Many other countries require significantly more independent directors. Furthermore, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and

corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

Sovereign Credit Ratings of the Philippines

Sovereign credit ratings are used by sovereign wealth funds, pension funds, and other investors to gauge the credit worthiness of a country, thus having a big impact on the country's borrowing costs. Standard & Poor's credit rating for Philippines stands at BBB+ with a stable outlook, affirmed on 27 May 2021. Fitch's credit rating for the Philippines of BBB was affirmed on 17 February 2022, with a negative outlook. Moody's credit rating for the Philippines is Baa2 with a stable outlook, affirmed on 18 February 2022.

There is no assurance that Standard & Poor's, Fitch's, Moody's, or any other international credit rating agency will not downgrade the credit ratings of the Philippines in the future and, therefore, of Philippine companies. The Company cannot provide assurance of effective mitigation for this systemic risk. Any of such downgrades could have an adverse impact on the liquidity in the Philippine financial markets and on the ability of Philippine companies like the Company to raise additional financing at the best of terms and the interest rates and other commercial terms at which such additional financing is available. The Company will still be able to raise financing, albeit, at a higher rate.

Occurrence of Natural or Other Calamities, including Severe Weather Conditions and Epidemics

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions, and earthquakes, as well as outbreaks of infectious diseases, such as H1N1 influenza (commonly known as swine flu) and more recently, COVID-19.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's business. Any natural or other catastrophes may disrupt the Company's business activities and may affect the availability of materials needed for the Project. As a result, the occurrence of natural or other catastrophes may adversely affect the Company's business.

There can be no assurance that the Company will be fully capable to deal with these situations and that the insurance coverage it maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes. The Company's business, financial condition and results of operations may be materially and adversely affected by any disruption of its operations or operations of its suppliers, distributors, and other contractors, including due to any of the events mentioned above.

To mitigate the risk of business interruptions, the Company established a business continuity and disaster recovery plan. The Company developed watch towers, which the business units monitor on a daily basis to help business unit leaders gauge if it is now an opportunity to trigger the implementation of the plan. The watch towers outline the possible risks/disasters, whether man-made or through a natural calamity, which can possibly happen and how the business must react to minimize, if not eliminate, any business disruption. Likewise, a disaster recovery plan is created to guide the business unit leaders and talents on how to manage the business immediately after a calamity occurs.

COVID-19 Global Pandemic

The COVID-19 pandemic created economic disruption, uncertainty, and volatility, all of which affected and may continue to affect the Company's businesses. Although the Company has implemented numerous initiatives to mitigate the adverse effects of the pandemic, the duration and extent of these effects are beyond the Company's control. As of Prospectus Date, quarantine restrictions are still in place in the Philippines and may be made more stringent if COVID-19 cases rise. As of Prospectus Date, 89 areas are under Alert Level 1 of the quarantine restrictions, including Metro Manila and Nueva Ecija.

Due to numerous uncertainties and factors surrounding the pandemic that is beyond the Company's control, it may be difficult to predict the pandemic's long-term bearing on the Company, its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- The severity and duration of the pandemic, including whether there are subsequent waves or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;

- The extent and timeliness of the national and local government's response to the pandemic, including but not limited to, quarantine restrictions as well as vaccination procurement and deployment programs;
- Restrictions on business operations, including complete or partial closure of the Company's malls and office buildings;
- Economic measures, fiscal policy changes, or additional measures that have not yet been implemented;
- The health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively sustain its operations;
- Evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- Volatility in the credit and financial markets during and after the pandemic; and
- The pace of recovery considering the rebound in consumer confidence, driven by government and economic response.

The extent to which the COVID-19 pandemic will impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, in the Philippines and internationally, by governments, central banks, healthcare providers, health system participants, other businesses, and individuals, all of which are highly uncertain and unpredictable. To the extent the COVID-19 pandemic adversely affects the Company's business and financial results, it may also have the effect of heightening many of the other risks described in this Prospectus.

Considering the evolving nature of this outbreak, the Company continues to follow the maximum health protocols imposed by the national, as well as the local, government to continue performing the necessary works to deliver the Project on schedule. The Company implemented and continues to practice proactive measures to minimize, if not totally, eliminate health risks, such as extending assistance on the scheduling of COVID-19 vaccines and boosters to employees, adopting a hybrid work arrangement, providing shuttle service, weekly COVID-19 antigen testing, adequate supply of protective equipment, providing sanitizers and posting infographic materials in common areas

of the office, plants and staff houses, and extending health maintenance organizations (HMO) coverage and a care package to employees who are confirmed COVID-19-positive.

Risks Relating to the Offer and the Rights Shares

Delay between Payment, Trading, and Listing of Rights Shares

The Company offers two options for the payment of the total subscription price for the Rights Shares:

a. Option 1 – full payment of the total subscription price upon submission of the Application; and

b. Option 2 – installment payment, with a down payment of 25% of the total subscription price for the Rights Shares upon submission of the Application, and the balance of 75% of the total subscription price to be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the Offer Period for Eligible Shareholders (i.e., from 6 September 2022 to 5 December 2022); within three months from the end of the QB Take-Up for the Qualified Buyers; and within three months from the end of the Sweep Period for the Principal Shareholder.

For Option 2, in case of any non-payment of the balance of 75% of the total subscription price on the relevant due date, the Company reserves the right to extend the payment period for partially-paid Rights Shares prior to declaring them delinquent, subject to such terms as the Company may determine at its sole discretion, provided that, no extension shall be for more than a period of three months from the end of the initial installment period, and the Company reserves the right to impose penalties for shares paid for during this extension period. All delinquent Rights Shares will be sold at auction pursuant to law. In case there are no bidders at such auction, SPNEC may purchase the delinquent Rights Shares, in which case they shall become treasury shares. In case of sale of delinquent Rights Shares, down payments made shall be forfeited in favor of SPNEC.

Rights Shares that are fully-paid pursuant to Option 1 within the Offer Period for Eligible Shareholders, QB Take-Up for Qualified Buyers, and the Sweep Period for the Principal Shareholder, as applicable, will be listed and made available for trading on the expected Listing Date, subject to compliance with applicable post-approval conditions. Partially-paid Rights Shares pursuant to Option 2 will be listed and made available for trading only after full payment thereof; compliance with the relevant post-approval requirements of the PSE, Philippine National Bank acting through its Trust Banking Group as the Transfer Agent, and/or the PDTC; and the submission to the PSE of the PDTC's written confirmation of the actual lodgment of the fully-paid Rights Shares. In this regard, the Issuer is required to submit a monthly report every fifth (5^{th}) Trading Day of the current month on the number of outstanding partially-paid Rights Shares based on the previous month-end balances until the earlier of: (a) all the Rights Shares are fully-paid or (b) the relevant due dates for balance payments have lapsed, subject to the Company's right to extend the payment period for partially-paid Rights Shares.

Furthermore, considering that the Listing Date is scheduled after the Offer Period, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in admission and commencement of trading in shares on the PSE have occurred in the past. In the event that the Rights Shares are not listed on the PSE for any reason (other than non-payment where any

down payment shall be forfeited in favor of the Company), the Company shall return the payments made by the Applicants for the Rights Shares under their respective Applications without interest. There may be instances where delays in the listing of shares may occur including, but not limited to, the clearing of funds, lodgment of Rights Shares with the PDTC, or technical issues on commencing of trading on the PSE. Furthermore, delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Rights Shares onto the PSE, the market for these will be illiquid and investors who purchased the Rights Shares may not be able to trade them. This may materially and adversely affect the value of the Rights Shares. Although the Company endeavors to comply with all the listing requirements of the PSE, there is no assurance of effective mitigation of such risk.

Price Disparity between Offer Price and Market Price

The Offer Price at the time of full payment under installment scheme may greatly differ from the market price of the common shares at the time of listing and eligibility of trading.

Investors opting for the installment option to purchase the Rights Shares are entitled to the rights of a shareholder such as right to vote, notice of meetings, and entitlement to any dividends in the event of any dividend declaration by the Company. However, partially-paid Rights Shares will only be listed on Listing Date and be available for trading from full payment thereof and compliance with the relevant post-approval requirements, including submission of the lodgment request of the fully-paid Rights Shares at least three Trading Days prior to its scheduled start of trading.

Minimum Public Ownership Requirement

A company listing through an initial public offering is required to maintain at least 20% public ownership level at all times. As of Prospectus Date, the Company's public float is 29.53%. This will increase to 42.75% immediately after the conduct of the Offer assuming that Eligible Shareholders and Qualified Buyers will subscribe to the entire Offer. However, immediately after the Share Swap, the public float may decrease to 12.44% due to SPPPHI's subscription of SPNEC shares.

Pursuant to the Amended Rule on Minimum Public Ownership of the Exchange, listed companies that become non-compliant with the prescribed minimum public ownership "shall be suspended from trading for a period of not more than six (6) months and shall be automatically delisted if it remains non-compliant with the MPO after the lapse of the suspension period." Should the Company not meet the said minimum public ownership requirements within the prescribed 12 months following such breach, the trading of SPNEC shares may be suspended for 6 months. Further, should the Company remain non-compliant with the minimum public ownership requirement after the lapse of the 6-month period from the date on when its public ownership level fell below 20%, then the Company shall be automatically delisted from the Official Registry of the Exchange. As a result, shareholders of the Company may not be able to buy or sell shares of the Company on the Exchange during the time of suspension and after delisting.

To mitigate this risk, the Company plans to maintain compliance with the 20% public ownership requirement through any of the legally-allowed equity offerings such as a follow-on offering, a stock rights offering, private placements, or a combination thereof within 12 months from the time its public float falls below 20%.

Effect of Ex-Date on Market Price

The Offer will add 1,875,649,995 new Common Shares at a price of One and 50/100 Pesos (₱1.50) per Rights Share. On 22 August 2022, the Ex-Date, the market price and number of outstanding shares of SPNEC was adjusted to reflect the same.

Trading and Liquidity

The Company's common stock is traded on the PSE. After the PSE approves the listing of the Rights Shares, the ability to trade fully-paid Rights Shares is not expected to commence until 10 calendar days after the end of the Offer Period, thereby making an investment in the Rights Shares illiquid during those 10 calendar days. There can be no assurance that a holder of the Rights Shares will be able to dispose of such Rights Shares in a timely manner. As a result, a holder of such Rights Shares may not be able to take full advantage of market gains during periods of share price increases and conversely, may not be able to limit losses during periods of sharp price declines.

The determination of Offer Price will be driven by book building with Qualified Buyers, who may consider various factors including their perception of the Company's ability to generate earnings and cash flows and the market price of listed comparable companies.

Non-Subscription of Entitlement Shares

If the Eligible Shareholders do not or do not fully subscribe for their Entitlement Shares, their proportionate interest in the Company will be reduced.

Foreign Ownership Restrictions

The Constitution and other related statutes restrict the exploration, development, and utilization of natural resources, as well as ownership of private lands to Philippine Nationals. The term "Philippine National" as defined under RA No 7042, or the Foreign Investments Act of 1991, as amended means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the RCC, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (a) the total number of outstanding shares of stock entitled to vote in the election of directors; and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Foreign equity participation in entities such as the Company, where it is engaged in a controlled industry, is limited to a maximum of (a) 40% of its total outstanding capital stock entitled to vote in the election of directors; and (b) 40% of its total outstanding capital stock, whether or not entitled to vote in the election of directors. The Common Shares are subject to Philippine foreign ownership limitations. Therefore, to the extent that foreign investors' ability to buy the Rights Shares is limited, these restrictions may affect the liquidity of the Rights Shares.

Market Volatility

The market price of securities fluctuates, and it is impossible to predict whether the price of such securities will rise or fall. An individual security may experience upward or downward movements and may even lose its entire value. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. There may also be a substantial difference between the buying price and the selling price of each security.

Historical price performance is not a guide for future price performance and there may be a big difference between the purchase price of the securities and the eventual price at which these securities are sold. The market price of the Rights Shares will be influenced by, among other factors, the Company's financial position, results of operations, and overall stock market conditions, as well as Philippine economic, political, and other factors.

The price at which the Rights Shares will be traded on the PSE at any point in time during or after the Offer may vary significantly from the Offer Price, and the Company cannot provide assurance of effective mitigation to such risk.

Future Sales of Shares in the Public Market

In order to finance the expansion of the Company's business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing stockholders, the percentage ownership of the stockholders may be reduced, stockholders may experience subsequent dilution and/or such securities may have rights, preferences, and privileges senior to those of the Rights Shares.

Further, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers, or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

Except for such restrictions and as provided under the RCC, there are no other restrictions on the Company's ability to issue Shares or the ability of its stockholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that the Company will not issue Shares or that such stockholders will not dispose of, encumber, or pledge their Shares.

Dividend Declarations and Payout

If the Company does not generate sufficient net operating profit, its income and resulting ability to pay dividends will be adversely affected. There is no assurance as to the Company's ability to declare or maintain dividends on the Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, requirements of applicable laws and regulations, capital expenditure requirements, compliance with the loan covenants, if any, and other circumstances that may restrict the payment of dividends as the Board may deem relevant. Nor is there any assurance that the level of dividends will increase over time, or that the Company will generate adequate income available for dividends to shareholders.

Dilution

Please see section on "Dilution" on page 82.

Rights of Minority Shareholders

In the Philippines, the rights of minority shareholders to assert their rights as such and the fiduciary obligations of directors and majority shareholders may not be as extensive as those in other jurisdictions, and the ability of any of the Company's shareholders to assert any such rights or to enforce any such fiduciary obligation may be limited.

The RCC provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds (2/3) of the Company's outstanding capital stock is required. The RCC also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions, while permitted under The RCC and governed by the Interim Rules of Procedure Governing Intra-Corporate Controversies (A.M. No. 01-2-04-SC), are rarely brought on behalf of Philippine companies. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Risks Relating to the Presentation of Information in this Prospectus

Presentation of Financial Information in this Prospectus

The presentation of financial information in this Prospectus comprises historical information of SPNEC as of and for the calendar years ended 31 December 2018, 2019, and 2020 and as of 30 June 2021 and 30 June 2022, and for the six months ended 30 June 2021 and 2020 and years ended 30 June 2022 and 2021.

The historical financial disclosures and discussions incorporated in this Prospectus follow the requirements of Philippine laws and regulations. As the Company has not yet started commercial operations, the Company's financial information may not provide a complete basis for evaluating the Company's prospects, business, and results of operations.

As a publicly listed company on the PSE, the Company will maintain and follow the compliance requirements to further improve the effectiveness of its disclosure controls and procedures, and internal control over financial reporting, including keeping adequate records of daily transactions. The Company employs legal counsels and an accounting team that have the appropriate experience and technical knowledge to ensure that the Company complies with the disclosure and financial reporting standards required by the PSE and other government agencies.

Certain Information Derived from Unofficial Publications

Certain information in this Prospectus relating to the Philippines, the industries in which the Company competes, and the markets in which the Company develops its projects, including statistics relating to market size, is derived from various Government and private publications. The information contained in the Industry Overview: Philippine Power Industry section may not be consistent with information found elsewhere regarding the Philippine power industry. Similarly, industry forecasts and market research data, including those contained or extracted herein, have not been independently verified by the Company, the Underwriters, nor any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date, or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

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USE OF PROCEEDS

The gross proceeds from the Offer are expected to be ₱2,813,474,992.50. The net proceeds from the Offer, after deducting estimated applicable taxes, professional fees, and expenses related to the Offer, are expected to be approximately ₱2,795,250,188.50 and will accrue to the Company.

Assuming full take-up by the Eligible Shareholders of the Rights Shares, the following table shows the breakdown of the Offer proceeds:

Table 5: Breakdown of Proceeds from the Offer (in ₱0.00)		
Purpose	**At the Offer Price of ₱1.50 per Rights Share**	
Gross Proceeds from the Offer		**₱2,813,474,992.50**
Estimated Offer Expenses		
Estimated Taxes	2,271,787.00	
Estimated Legal Fees	6,500,000.00	
Estimated Audit Fees	1,200,000.00	
Estimated SEC Confirmation of Exempt Transaction Fees	3,336,680.00	
PSE Filing Fees	3,301,144.00	
Estimated Transfer and Receiving Agency Fees	500,000.00	
Estimated Publication Fees	300,000.00	
Estimated Printing of Selling Materials	250,000.00	
Estimated PDTC Processing Fees	65,193.00	
Estimated Other Related Expenses[(1)]	500,000.00	18,224,804.00
Estimated Net Proceeds		**₱2,795,250,188.50**

Note:
(1) Other offer related expenses pertain to any out-of-pocket expenses (such as but not limited to expenses on representation, photocopying, transportation, communication, overtime charges, courier charges, per diem, accommodation) solely in connection with the Offer and incurred by all parties including legal counsels, underwriters, receiving agent; and any unforeseen increases in the other Offer expenses provided above.

The net proceeds are intended for (a) project development (including securing land and off-take agreements) and (b) general and corporate expenses.

Table 6: Breakdown of Net Proceeds (in millions)		
Purpose	**At the Offer Price of ₱1.50 per Rights Share**	**Date of Disbursement**
Project development	₱2,615.3	Q3 2022 to Q4 2022
General corporate purposes	₱180.0	Q3 2022 to Q4 2022
Total	**₱2,795.3**	

** There is no estimated date of completion of disbursement for proceeds allocated to general corporate purposes; disbursement will be based on the needs of the Company from time to time and will be subject to market conditions.*

To the extent the expected net proceeds are not realized, the Company will use its internally generated funds from as may become available from operations, and potential borrowings to finance its project developments. The Company may also raise financing at the level of its project company subsidiaries, or defer capital expenditures until the required funding becomes available.

Project Development

Up to ₱2,615.3 million from the Offer shall be allocated towards project development (including securing land and off-take agreements). As SPNEC has already been able to secure the land required for the entire Project, this land acquisition shall be intended for expansion and future development projects in the provinces of Nueva Ecija, Bulacan and Quezon, among others.

The land to be acquired may be utilized by projects that are among the Solar Philippines Assets subject to the Share Swap. These include developments in the provinces of Nueva Ecija, Bulacan, and Quezon. In any case, the Company would acquire the land and seek the use that would give it the highest value.

At this point, the Company is yet to:

a. Identify and finalize the exact location of the land which will be the site for the future expansion and future development; and
b. Finalize the agreements with various yet to be identified landowners subject to due diligence. The Project's future expansion areas may be located outside the area blocked off under the existing SESC, in which case the Company will undertake the necessary processes to obtain the rights to cover these expansion areas (as permitted under the rules of the DOE), secure the relevant government permits/approvals therefor (as may be necessary), and secure corporate approvals therefor.

Nevertheless, should the net proceeds from the Offer be less than the expected amounts, adjustments shall be made towards this allocated use.

General Corporate Purposes

Of the net proceeds, ₱180 million shall be used for general corporate purposes, including but not limited to working capital requirements, consisting of corporate office overhead expenses, administrative expenses and other costs shouldered by Company in the course of normal business activities, management fees, professional fees, lease expenses, and office rent.

Table 7: Breakdown of General Corporate Purposes (in millions)

Purpose	At the Offer Price of ₱1.50 per Rights Share	Date of Disbursement
Working capital	₱78.0	Q3 2022 to Q4 2023
Management and professional fees	81.0	Q3 2022 to Q4 2023
Lease payments	19.0	Q3 2022 to Q4 2023
Office rent	2.0	Q3 2022 to Q4 2023
Total	**₱180.0**	

The Company does not intend to use the proceeds to discharge any debt nor to reimburse any of its officers, directors, employees, or shareholders for services rendered, asset previously transferred, or money loaned or advanced. The Company will not use the proceeds from the Offer to pay any financial obligations with the Underwriters and their affiliates (other than out-of-pocket expenses and fees under the QB Take-Up).

In case there are Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers to subscribe to such Rights Shares. In relation to this, the Underwriters will be entitled to the payment of fees for the issuance of shares to Qualified Buyers amounting to 1% of the proceeds of the QB Take-Up.[10]

In the event of any material deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC, and the PSE in writing at least 30 calendar days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company's Board of Directors, and disclosed to the SEC and the PSE. In addition, the Company shall submit via the PSE EDGE the following disclosure to ensure transparency in the use of proceeds:

Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 calendar days of the following fiscal quarter certified by the Company's Chief Financial Officer or Treasurer and external auditor;

a. Annual summary of the application of the proceeds on or before 31 January of the year following the Offer certified by the Company's Chief Financial Officer or Treasurer and external auditor; and
b. Prompt disclosure of the approval by the Company's Board of Directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 calendar days prior to the said actual disbursement or implementation; and
c. Prompt disclosure of any material disbursements made in connection with the planned use of proceeds from the Offer.

The quarterly and annual reports required in items (b) and (c) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item (d) above. The Company will submit an external auditor's certification of the accuracy of the information reported by the Company to the PSE in its quarterly and annual reports.

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[10] This does not affect the exempt nature of the issuance. Section 10.1 (l) of the SRC does not impose any condition on the non-compensation or non-remuneration of any offering contemplated under said provision for the same to be considered exempt.

DESCRIPTION OF SECURITIES

The following is general information relating to the Company's capital stock, including brief summaries of relevant provisions of the RCC, and implementing regulations adopted by the SEC, as currently in effect, and the SRC. The description below does not purport to be complete or to give full effect to the provisions of law and it is in all respects qualified by reference to the applicable provisions of the Company's amended Articles of Incorporation and amended By-Laws.

Board Approval for the Offer

In a meeting held on 14 February 2022, the Board authorized the Offer, and delegated to the Issuer's president the determination of the terms and conditions of the Offer. The president, Mr. Leandro Antonio L. Leviste, has decided on offering 1,875,649,995 Common Shares by way of a stock rights offering to Eligible Shareholders at the rate of the Entitlement Ratio as of Record Date.

Share Capital

As of Prospectus Date, the Company's ACS is ₱1,000,000,000.00, consisting of 10,000,000,000 Common Shares, of which 8,124,350,005 Common Shares are issued and outstanding.

Subject to the approval of the SEC, the Company may increase or decrease its authorized capital, provided that the increase or decrease is with the approval of a majority of the Board of Directors and by its stockholders representing at least two-thirds ($^2/_3$) of the Company's outstanding capital stock.

Immediately after the completion of the Offer, 100% of the Company's ACS shall be issued and outstanding.

Rights Relating to the Common Shares

Voting Rights

Each Common Share entitles the holder to one vote.

At each meeting of the stockholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the Company's books at the time of the closing of the transfer books for such meeting.

In the election of Directors, each stockholder, in person or by proxy, is entitled to such number of votes as is equivalent to the product of the number of Common Shares owned by him multiplied by the number of Directors to be elected. The stockholder may cumulate his votes in favor of one or more candidates as he may see fit. A Director may also be removed by the vote of stockholders representing two-thirds ($^2/_3$) of the outstanding voting shares.

Voting rights cannot be exercised with respect to shares declared delinquent or treasury shares, or with respect to shares upon which its appraisal right has been exercised.

Pre-Emptive Rights

The RCC provides that all stockholders of a stock corporation will enjoy pre-emptive right to subscribe for all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or amendments thereto.

Under the Company's Amended Articles of Incorporation, pre-emptive rights are denied as to all issuances or dispositions of the Company's Common Shares.

Article 7 of the Company's Amended Articles of Incorporation state that:

> "The holder of shares shall not be entitled to pre-emptive rights to subscribe for any new issues of stock, nor dispositions of existing stocks, whether issued from its unissued capital or its treasury shares."

Dividend Rights

Dividends may be declared from the Company's unrestricted retained earnings at such time and in such percentage or amount as the Board of Directors may deem proper. No dividend shall be declared that will impair the Company's capital stock.

The PDTC has an established mechanism for distribution of dividends to beneficial owners of the shares which are traded through the PSE and lodged with the PDTC as required for scripless trading. Philippine corporations whose securities are listed on any stock exchange are required to maintain and distribute an equitable balance of cash and stock dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation that have not been allocated for any purpose. A corporation may pay dividends in cash, in property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of stockholders representing at least two-thirds of the issued and outstanding capital stock of the corporation voting at a stockholders' meeting duly called for the purpose.

The RCC requires, as a general rule, that a corporation with retained earnings in excess of 100% of its paid-in capital declares and distributes as dividends the amount of such surplus. Notwithstanding this requirement, a corporation may retain all or any portion of such surplus in the following cases: (a) when justified by definite expansion plans approved by the Board of Directors of the corporation; (b) when the required consent of any financing institution or creditor to such distribution has not been secured; or (c) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies.

Please see further discussion under "Dividends and Dividend Policy" on page 78.

Appraisal Rights

The RCC grants a shareholder a right of appraisal in the following circumstances where he has dissented and voted against a proposed corporate action:

a. An amendment of the articles of incorporation that has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
b. The sale, lease, exchange, transfer, mortgage, pledge, or other disposal of all or substantially all the assets of the corporation;
c. A merger or consolidation; and

d. Investment of corporate finds for any purpose other than the primary purpose of the corporation.

In any of these circumstances, the dissenting shareholder may require the Company to purchase its shares at a fair value, which in default of agreement is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the Company, and the third by the two thus chosen. In the event of a dispute, the SEC will determine any question about whether a dissenting shareholder is entitled to this right of appraisal. This remedy will only be available if the Company has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting stockholders. From the time the shareholder makes a demand for payment until the Company purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Access to Corporate Books and Records

Stockholders have the right to inspect the Company's books and records, including the minutes of all Board and stockholders' meetings, and records of business transactions of the Company. However, the right of inspection may be denied if the shareholder seeking to examine the corporate records is not acting in good faith or for a legitimate purpose in making the demand for inspection or has improperly used any information secured through any prior examination of the records of such corporation or any other corporation.

Liquidation Rights

Each shareholder is entitled to a pro rata share in the assets of the Company available for distribution to the stockholders in the event of dissolution, liquidation and winding up, subject to the superior rights of the creditors of the Company.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the Company in a derivative action in circumstances where the Company itself is unable or unwilling to institute necessary proceedings to redress wrongs committed against the Company or to vindicate corporate rights such as, for example, where the directors themselves are the malefactors.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. The Company's By-Laws provide for annual meetings on the first Monday of May of each year, and if a legal holiday, then on the day following.

Special Shareholders' Meeting

Under the Company's amended By-laws meetings of shareholders, for any purpose or purposes, may at any time be called by the Chairman, or in his absence the Vice-Chairman, the President, or at the written request of stockholders representing at least a majority of the subscribed capital entitled to vote, setting forth the purpose/s of such meeting in the written notice.

Notice of Shareholders' Meeting

Written notice of the annual and special meetings of the stockholders shall be served to each registered stockholder by personal delivery or by mail. For regular meetings, the notice shall be sent at least 28 days prior to the date of the meeting.

Any such notice must include, among others, the date, hour, and venue of the meeting, and the purpose or purposes for which such meeting was called. In case of a special meeting, only matters in the notice stated in the notice can be subject of motions or deliberations at such meetings.

Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by law, shareholders who own or hold a majority of the outstanding capital shares must be present or represented in all regular or special meetings of shareholders in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Voting

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

Fixing Record Dates

Pursuant to the SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than 10 nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order which shall not be less than 10 days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten Trading Days from receipt by the PSE of the notice of declaration of the dividend.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within 10 days prior to the scheduled meeting. The proxy shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent, or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the RCC, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

Treasury Shares

The Company may acquire its own Common Shares, provided that, it has unrestricted retained earnings to pay for the Common Shares to be acquired or purchased and only for a legitimate corporate purpose/s, including but not limited to: (a) to eliminate fractional shares arising out of stock dividends, (b) to collect or compromise an indebtedness to the Company, arising out of unpaid subscription, in a delinquency sale, and to purchase delinquent shares sold during said sale; and (c) to pay dissenting or withdrawing stockholders entitled to payment for their shares under the provisions of the RCC.

The Common Shares repurchased by the Company shall become treasury shares that may again be disposed of at a reasonable price as may be fixed by the Board of Directors. These treasury shares have neither voting rights nor dividend rights as long as they remain as treasury shares.

As of Prospectus Date, the Company has no treasury shares.

Other Securities

The Company has not issued any other form of securities other than its Common Shares.

Transfer of Common Shares

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly owned by the PDTC. A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the Company's books. Please see further discussion under "The Philippine Stock Market" on page 195.

Philippine law does not require transfers of the Common Shares to be affected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. Please see further discussion under "Philippine Taxation" on page 204. All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Transfer Agent

The Company's share register is maintained at the principal office of the Company's transfer agent, Philippine National Bank acting through its Trust Banking Group which holds office at 3/F PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

Changes in Control

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

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Common Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Common Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid Rights Shares may be listed on the PSE.

Share Certificates

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except those certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's transfer agent, Philippine National Bank acting through its Trust Banking Group, which will maintain the share register.

Common Shares may also be lodged and maintained under the book-entry system of the PDTC. Please see "The Philippine Stock Market" on page 195.

Mandatory Tender Offers

In general, under the SRC and the IRRs, any person or group of persons acting in concert and intending to acquire at least (a) 35% of any class of any equity security of a public or listed corporation in a single transaction; or (b) 35% of such equity over a period of 12 months; or (c) even if less than 35% of such equity, if such acquisition would result in ownership by the acquiring party of over 50% of the total outstanding equity, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder. Where a mandatory tender offer is required, the acquirer is compelled to offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition of even less than 35% would result in ownership of over 50% of the total outstanding equity, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

No Mandatory Tender Offer is required in: (a) purchases of shares from unissued capital shares unless it will result in a 50% or more ownership of shares by the purchaser; (b) purchases from an increase in the authorized capital shares of the target company; (c) purchases in connection with a foreclosure proceedings involving a pledge or security where the acquisition is made by the debtor or creditor; (d) purchases in connection with privatization undertaken by the government of the Philippines; (e) purchases in connection with corporate rehabilitation under court supervision; (f) purchases through an open market at the prevailing market price; or (g) purchases resulting from a merger or consolidation.

Fundamental Matters

The RCC provides that certain significant actions require shareholder approval. The following actions require the approval of shareholders representing at least two-thirds ($^2/_3$) of the issued and outstanding capital stock of the corporation in a meeting duly called for such purpose:

a. Amendment of the articles of incorporation;
b. Removal of directors;
c. Sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the assets of the corporation;
d. Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
e. Declaration or issuance of stock dividends;
f. Delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
g. Merger or consolidation;
h. Dissolution;
i. An increase or decrease in capital stock;

j. Ratification of a contract of a directors or officer with the corporation;
k. Extension or shortening of the corporate term;
l. Creation or increase of bonded indebtedness; and
m. Management contracts with related parties.

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. Corporations whose shares are listed on the PSE are also required to file quarterly financial statements (for the first three quarters) with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and an income statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the Company's operations for the preceding year, including audited financial statements.

Pledge of SPNEC Shares owned by the Parent Company

On 25 June 2021, the Parent Company executed a pledge over all the Company shares (Pledged Shares) it owns as security for a loan agreement entered into by its affiliate, PIC, with ACEN. The stock certificates of the Pledged Shares were delivered to and are currently in the custody of ACEN. Notwithstanding this, ACEN has agreed to deliver the stock certificates of the Pledged Shares to the Parent Company for the sole purpose of enabling the Company to comply with the PSE's lock-up rules.

In compliance with Section 2 (a), Part D, Article III of the Consolidated Listing and Disclosure Rules of the PSE, the Pledged Shares, with the exception of the nominal share under the name of Ms. Hazel Iris P. Lafuente, were uplifted from lodgment, certificated, and delivered to the Trust Banking Group – Fiduciary Services Division of the Philippine National Bank ("**PNB Trust**") as escrow agent for the locked-up shares.

Foreign Ownership Restriction

In connection with the ownership of private land, the Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Likewise, under Article XII, Section 2 of the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development, and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

Due to the above, the Company cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership. For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a wholly Filipino-owned corporation.

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DIVIDENDS AND DIVIDEND POLICY

On 6 September 2021, the Board of Directors approved its dividend policy that gives the Board of Directors the discretion to declare dividends as they see fit after considering the funding requirements for future projects. We intend to maintain an annual dividend payment ratio equivalent to at least 10% to 30% of the after-tax net income of the preceding fiscal year; on the condition that all debt related covenants and commitments of the Company have been fully met and that no future debt covenants[11] and commitments are impaired with the declaration of the said dividend. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC.

The Board is authorized to declare dividends only from the Company's unrestricted retained earnings, and the Board may not declare dividends which will impair the Company's capital. Dividends may be payable in cash, shares or property of the Company, or a combination thereof, as the Board determines.

Dividends to be paid in cash by the Company are subject to approval by a majority of the Board and no further approval from the Company's stockholders is required. Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date that is neither less than 10 calendar days nor more than 30 calendar days from the date the cash dividends are declared, provided, however, that the set record date is not to be less than 10 Trading Days from receipt by the PSE of the notice of declaration of cash dividend. In case no record date is specified, it is deemed to be fixed at 15 calendar days from the Company's declaration.

The declaration of stock dividends is subject to the approval of stockholders representing at least two-thirds ($^2/_3$) of the outstanding capital stock. In cases where the stock dividends shall be sourced from an increase in the authorized capital stock of the Company, such increase shall be subject to the required approvals of the SEC for the same. The record date with respect to stock dividends is to be neither less than 10 calendar days nor more than 30 calendar days from the date of stockholders' approval, provided, however, that the set record date is not to be less than 10 Trading Days from receipt by the PSE of the notice of declaration of stock dividend. In relation to foreign stockholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

The Company's ability to declare and pay dividends to its shareholders will depend on whether it has earned sufficient income from its planned solar projects that can be distributed to the Company shareholders by way of dividend. As such, the Company's Board of Directors, may, at any time, evaluate whether the Company has sufficient cash available for distribution of cash dividends, although, subject to the requirements of the RCC, there is no legal or contractual obligation on the part of the Company to declare and pay cash dividends.

The RCC generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (a) when justified by definite expansion plans approved by the board of directors of the corporation; (b) when the required consent of any financing institution or creditor to such distribution has not been secured; (c) when retention is necessary under special circumstances, such

[11] As of the date of this filing, SPNEC has no outstanding debts.

as when there is a need for special reserves for probably contingencies; or (d) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

The Board may decide to declare dividends in the future after considering a range of factors, including:

- The level of the Company's cash, gearing, return on equity, and retained earnings;
- The Company's results for, and the Company's financial condition at the end of the year, the year in respect of which the dividend is to be paid and the Company's expected financial performance;
- The Company's projected levels of capital expenditure and other investment plans;
- Restrictions of payment of dividends that may be imposed on the Company by any of its financing arrangements and current and prospective debt service requirements; and
- Such other factors as the Board deems appropriate.

The Company, however, cannot provide the public any assurance that it will pay any dividends in the future.

The Company has not declared any dividends since its incorporation.

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DETERMINATION OF OFFER PRICE

The Rights Shares are being offered to all Eligible Shareholders at the Offer Price of One and 50/100 Pesos (₱1.50) per Rights Share. The Offer Price of the Rights Share represents a 16.67% discount to the closing price and 13.80% discount to the 15-consecutive Trading Day volume weighted average price ("**VWAP**") of the Company's Common Shares as of 17 August 2022, the Trading Day immediately preceding the Pricing Date. As of 17 August 2022, the closing price and the 15-consecutive Trading Day VWAP of the Company's Common Shares are ₱1.8000 and ₱1.7402, respectively.

Trading volumes on the PSE have historically been significantly smaller than other major securities markets in more developed countries and have also been highly volatile. There can be no assurance that an active market for the Rights Shares will develop following the Offer or, if developed, that such market will be sustained.

The price at which the Rights Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

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CAPITALIZATION

The following table sets out the capitalization of the Company based on the audited financial statements as of 31 December 2018 to 2020, 30 June 2021, and 30 June 2022, with a 30 June 2022 pro-forma adjusted to reflect the sale of the Rights Shares at the Offer Price.

The table should be read in conjunction with the Company's audited financial statements and the notes thereto included in this Prospectus.

Table 8: SPNEC Capitalization at the Offer Price of ₱1.50 per Rights Share							
Amounts in ₱millions	**As of 31 December**			**As of 30 June**	**As of 30 June**		
	2018	**2019**	**2020**	**2021**	**2022**	**2022 Post Offer**	**2022 Post Offer and Share Swap[12]**
	Audited	**Audited**	**Audited**	**Audited**	**Audited**	**Pro-Forma**	**Pro-Forma**
Due to related parties	44.03	10.67	17.39	22.79	22.79	22.79	22.79
Capital Stock	0.25	0.25	1.00	542.44	812.44	1,000.00	3,437.31
Subscription Receivable	(0.19)	(0.19)	-	-	-	-	-
Additional paid-in capital stock	-	-	21.25	-	2,347.34	4,958.32	63,453.64
Deficit	(1.74)	(12.15)	(21.03)	(25.14)	(85.72)	(89.02)	(89.02)
Total Capitalization	**₱42.35**	**(₱1.42)**	**₱18.61**	**₱540.09**	**₱3,096.85**	**₱5,892.09**	**₱66,824.72**

Differences in numbers are due to rounding off.

**Total additional paid in capital at offer price of ₱1.50 per share is ₱2,625,909,993.00 ((₱1.50-₱0.10) * 1,875,649,995 shares)*

*Total additional paid in capital from the Share Swap at subscription price of [₱2.50] per share is ₱58,495,320,000.00 ((₱2.50-₱0.10) * 24,373,050,000 shares)*

The estimated offer cost of ₱18,224,804.00 was allocated in accordance with Philippine Interpretations Committee Q&A No. 2011-04 as follows:

*As deduction to **APIC** - ₱14,923,660.00*

Additional expense in P/L - ₱3,301,144.00

This resulted in APIC after the offer of ₱4,958,324,354.00, (₱2,347,338,021.00+₱2,610,968,333.00), APIC after the offer and share swap of ₱63,453,644,354.00 ((₱2,347,338,021.00+₱2,610,968,333.00+ ₱58,495,320,000.00) and deficit of ₱89,017,252.00 (₱85,716,108.00+₱3,301,144.00)

DILUTION

Immediately after the completion of the Offer, the Eligible Shareholders will not, as a consequence of their purchase of their proportionate Entitlement Shares, suffer any ownership dilution in their respective shareholdings in the Company. However, there is a net tangible book value per share dilution because of the difference in the Offer Price and net tangible book value.

The Company's net tangible book value is ₱3,074,056,914.00 or ₱0.38 per share, with the Company not having any intangible assets as of said date. The Company's net tangible book value per share represents its net tangible book value divided by the number of common shares outstanding as of 30 June 2022.

At the Offer Price of ₱1.50

After giving effect to the increase in the Company's total assets to reflect its receipt of the net proceeds from the Offer amounting ₱2,795,250,188.50[12] and the addition of 1,875,649,995 Common Shares subject of the Offer, the Company's pro forma net tangible book value would be ₱5,869,307,102.50 or ₱0.59 per share at the Offer Price of ₱1.50. These represent immediate increases in the net tangible book value of ₱0.21 per share to existing stockholders and dilution in net tangible book value of ₱0.91 per share to the investors participating in the Offer. Dilution for this purpose represents the estimated difference between the Offer Price and the approximate pro-forma net tangible book value per share immediately following the completion of the Offer.

The following table illustrates dilution on a per Common Share basis based on an Offer Price of One and 50/100 Pesos (₱1.50) per Rights Share:

Table 9: Dilution at the Offer Price of ₱1.50		
Offer Price per Rights Share	₱1.50	(a)
Net Tangible Book Value per Common Share as of 30 June 2022	₱0.38	(b)
Pro-forma Net-Tangible Book Value per Common Share immediately after the Offer	₱0.59	(c)
Increase per share to Existing Stockholders attributable to the Offer	₱0.21	(d=c-b)
Net Tangible Book Value Dilution per Share to Investors	₱0.91	(e=a-c)
Pro-forma Net-Tangible Book Value per Share after the Offer and Share swap	₱1.94	(f)
Increase per share to Existing Stockholders attributable to the Offer and Share swap	₱1.56	(g=f-b)

Differences in decimal numbers are due to rounding off.

[12] The net proceeds assumes that all the Rights Shares are subscribed during the Rights Offer and the QB Take-Up.

The following table sets out the shareholdings and percentage of shares outstanding, of SPPPHI, other non-public shareholders, and public shareholders immediately after completion of the Offer, Share Swap, and after further equity capital raising:

Table 10: Shares Outstanding after the Offer, Share Swap, and Further Equity Capital Raising								
	Before the Offer		After the Offer		After the Offer and Share Swap		After Further Equity Capital Raising*	
	# of Shares	%	# of Shares	%	# of Shares	%	# of Shares	%
SPPPHI	5,424,349,998	66.77%	5,424,349,998	54.24%	29,797,399,998	86.69%	29,797,399,998	79.20%
Other Non-Public**	300,495,007	3.70%	300,495,007	3.01%	300,495,007	0.87%	300,495,007	0.80%
Public	2,399,505,000	29.53%	4,275,154,995	42.75%	4,275,154,995	12.44%	7,524,473,752	20.00%
Total	**8,124,350,005**	**100.00%**	**10,000,000,000**	**100.00%**	**34,373,050,000**	**100.00%**	**37,622,368,757**	**100.00%**

**As the public ownership float will drop to 12.44% post Share Swap, the Company will undertake a potential follow-on offering, stock rights offering, private placement, or a combination thereof to augment and maintain a public float of at least 20.0%. The computed number of shares held by public shareholders after further equity capital raising are for presentation purposes only and the terms and timing of such public offering shall be properly disclosed in due course.*
***Other Non-Public includes shares owned by the Company's directors, officers, and other related parties.*

See also "Investment Considerations and Risk Factors – Risk Factors – Risks Relating to the Offer and the Rights Shares – Effect of Future Sales of Shares in the Public Market" on page 63 of this Prospectus.

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PLAN OF DISTRIBUTION

The Offer

The offer of 1,875,649,995 Rights Shares by way of rights offering to SPNEC's Eligible Shareholders will be at the ratio of one (1) Rights Share for every One and 28/100 (1.28) existing Common Shares held as of the Record Date.

Given that the Principal Shareholder, SPPPHI, and CIHC (an affiliate of SPPPHI), which collectively own 70.46% of the Issuer's outstanding capital stock as of 25 August 2022, the Record Date, will not participate in the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer to provide maximum availability of Rights Shares to minority Eligible Shareholders, the Rights Entitlement Ratio was computed by dividing the total number of shares owned by the minority Eligible Shareholders by the total number of Rights Shares available for subscription.

The Offer comprises of the Rights Offer and the QB Take-Up as described below.

The Rights Offer

The Rights Offer of One Billion Eight Hundred Seventy-Five Million Six Hundred Forty-Nine Thousand Nine Hundred Ninety-Five (1,875,649,995) Common Shares to Eligible Shareholders in proportion to their percentage of shares being held as of Record Date, with each Eligible Shareholder given the right to subscribe for one (1) Rights Share for every One and 28/100 (1.28) existing Common Shares held as of Record Date at an Offer Price of ₱1.50 per Rights Share. Under the PSE Consolidated Listing and Disclosure Rules, the Company shall set the Record Date, subject to the approval of the SEC and the PSE and which shall not be less than 15 Trading Days after the approval of the PSE board of directors.

However, Eligible Shareholders will not be entitled to fractions of their Entitlement Shares. Entitlement Shares shall be rounded down to the nearest whole number of Entitlement Shares. Such fractions will be aggregated and sold for the Company's benefit.

If an Eligible Shareholder applicant fully subscribes for his Entitlement Shares in the mandatory First Round of the Rights Offer, such applicant may simultaneously apply for an additional subscription for Additional Rights Shares, subject to the availability of Additional Rights Shares.

If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for by all Eligible Shareholder applicants, each applicant shall be allocated the number of Additional Rights Shares indicated in his or her Application.

If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for by all Eligible Shareholder applicants, the available Additional Rights Shares shall be allocated among all Eligible Shareholder applicants who have applied for such Additional Rights Shares at the discretion of the Company taking into account various factors including each Eligible Shareholder applicant's original shareholdings in the Company as of Record Date relative to the original shareholdings of all other applicants for Additional Rights Shares as of such Record Date, provided that no Eligible Shareholder applicant for Additional Rights Shares shall be allocated Additional Rights Shares that are more than the number applied for by such applicant.

No guarantee is given on the number of Additional Rights Shares an Eligible Shareholder applicant may be allocated. A subscription for Additional Rights Shares is irrevocable, and the Eligible Shareholder applicant may not cancel or modify it.

No commissions or other remuneration will be paid or given, directly or indirectly, to the Underwriters in relation to the sale of the Rights Shares to Eligible Shareholders. The Company agrees to hold the Underwriters, their shareholders, officers, employees, and authorized representatives free and harmless against any claims, liabilities, and judgments arising from or in connection with the obligation as an underwriter for the Offer subject to the terms of the Underwriting Agreement.

Existing shareholdings in certificated and scripless form will be treated as separate shareholdings for the purpose of calculating Entitlement Shares under the Rights Offer.

All the Rights Shares shall be lodged with the PDTC and shall be issued in scripless form. Investors may maintain the Rights Shares in scripless form or opt, at their own cost and expense, to have the stock certificates issued to them by requesting an upliftment of the relevant Rights Shares from PDTC's electronic system after the Rights Shares are listed on the PSE.

The QB Take-Up

The Underwriters have agreed to firmly underwrite the Offer to ensure that any Rights Shares that are not subscribed for by Eligible Shareholders after the mandatory Second Round of the Rights Offer will be fully subscribed. In case there are Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers to subscribe to such Rights Shares. In case any Rights Shares remain unsubscribed by the Qualified Buyers after the end of the period for the QB Take-Up, the Principal Shareholder shall subscribe to all such Rights Shares pursuant to the Principal Shareholder's Undertaking. Any Rights Shares not taken up by the Qualified Buyers and not taken up by the Principal Shareholder on the Sweep Period, shall be taken up by the Underwriters.

The Company and the Underwriters have entered into the Underwriting Agreement, which is subject to certain conditions and may be subject to termination by the Underwriters if certain circumstances, including force majeure, occur on or before the Rights Shares are listed on the PSE. The Underwriting Agreement is conditional, *inter alia*, on the fully-paid Rights Shares being listed on or before 15 September 2022, or such later date as the Company and the Underwriters may agree, subject to the approval of the PSE. The termination of the Underwriting Agreement at any stage of the Offer shall render the PSE's approval of the listing of the Rights Shares as null and void. The Company has agreed to indemnify the Underwriters against certain liabilities, as provided in the Underwriting Agreement.

All the Rights Shares shall be lodged with the PDTC and shall be issued in scripless form. Investors may maintain the Rights Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Rights Shares from the PDTC's electronic system after the Rights Shares are listed on the PSE.

Principal Shareholder's Undertaking

SPPPHI and CIHC (an affiliate of SPPPHI) collectively own common shares representing 70.46% of the Issuer's outstanding Common Shares as of the Record Date. SPPPHI and CIHC will not participate in the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer to provide maximum availability of Rights Shares to minority Eligible Shareholders. Please see "Summary of the Offer – Rights Entitlement Ratio" on page 18 and "Plan of Distribution – The Offer" on page 84 of this Prospectus.

SPPPHI has committed to subscribe for all Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer and after the QB Take-Up pursuant to the Principal Shareholder's Undertaking.

Underwriters' Firm Commitment to Purchase

Abacus Capital and Investment Corporation and China Bank Capital Corporation, as the Joint Issue Managers and Joint Lead Underwriters, and Investment & Capital Corporation of the Philippines, as the Participating Underwriter, shall firmly underwrite the Offer in accordance with the Underwriting Agreement. To the extent that any Rights Shares remain unsubscribed after the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers, to subscribe to such Rights Shares.

To the extent that any Rights Shares remain unsubscribed and are not taken up by SPPPHI on the Sweep Period pursuant to the Principal Shareholder's Undertaking, such Rights Shares will be taken up by the Underwriters in accordance with the Underwriting Agreement, as follows:

Table 11: Underwriting Commitments

Joint Lead Underwriters and Participating Underwriter	Number of Rights Shares	% of Firm Shares
Abacus Capital and Investment Corporation	750,259,998	40%
China Bank Capital Corporation	750,259,998	40%
Investment & Capital Corporation of the Philippines	375,129,999	20%
Total	**1,875,649,995**	**100%**

Such subscription to the Rights Shares pursuant to the Underwriters' Firm Commitment to Purchase shall be paid in full upon subscription.

The Underwriters shall firmly underwrite the Offer notwithstanding any event that will result in the Principal Shareholder's failure to subscribe to all remaining unsubscribed Rights Shares after the mandatory Second Round of the Rights Offer and after the QB Take-Up.

In case there are Rights Shares that remain unsubscribed after the mandatory Second Round of the Rights Offer, the Underwriters shall procure Qualified Buyers to subscribe to such Rights Shares. For the avoidance of doubt, the undertaking to procure Qualified Buyers is on a "best-efforts" basis, and the Underwriters make no assurance that Qualified Buyers will participate in the QB Take-Up. In relation to this, the Underwriters will be entitled to the payment of fees for the issuance of shares to Qualified Buyers amounting to 1% of the proceeds of the QB Take-Up.[13]

[13] This does not affect the exempt nature of the issuance. Section 10.1 (l) of the SRC does not impose any condition on the non-compensation or non-remuneration of any offering contemplated under said provision for the same to be considered exempt.

Offer Period

The Offer Period for Eligible Shareholders shall begin on 30 August 2022 at 9:00 a.m. and end on 5 September 2022 at 12:00 noon. The Underwriters shall procure Qualified Buyers to participate in the QB Take-Up for a period of two Trading Days following the end of the Offer Period. The take-up of the Principal Shareholder of any remaining unsubscribed Rights Shares after the mandatory Second Round of the Rights Offer and after the QB Take-Up shall be on the last day of the period for the QB Take-Up. SPNEC and the Underwriters reserve the right to extend or shorten the Offer Period with the approval of the PSE.

If for any reason, any day of the Offer Period is a non-Trading Day, the Offer Period shall automatically be extended to the next succeeding Trading Day/s such that there will always be five Trading Days comprising the Offer Period, including the First Round of the Rights Offer and Second Round of the Rights Offer, where the offer to the Eligible Shareholders shall be for a minimum of five Trading Days. The two Trading Days following the end of the Offer Period shall be dedicated for the QB Take-Up and the Sweep Period, unless sooner terminated or otherwise extended by the Company and the Underwriters.

Selling Restrictions

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

Payment Options

The Company offers two options for the payment of the total subscription price for the Rights Shares:

a. Option 1 – full payment of the total subscription price upon submission of the Application; and

b. Option 2 – installment payments, with a down payment of 25% of the total subscription price for the Rights Shares upon submission of the Application, and the balance of 75% of the total subscription price to be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the Offer Period for Eligible Shareholders (i.e., from 6 September 2022 to 5 December 2022); within three months from the end of the QB Take-Up for the Qualified Buyers; and within three months from the end of the Sweep Period for the Principal Shareholder.

For Option 2, in case of any non-payment of the balance of 75% of the total subscription price on the relevant due date, the Company reserves the right to extend the payment period for partially-paid Rights Shares prior to declaring them delinquent, subject to such terms as the Company may determine at its sole discretion, provided that, no extension shall be for more than a period of three months from the end of the initial installment period, and the Company reserves the right to impose penalties for shares paid for during this extension period. All delinquent Rights Shares will be sold at auction pursuant to law. In case there are no bidders at such auction, SPNEC may purchase the delinquent Rights Shares, in which case they shall become treasury shares. In case of sale of delinquent Rights Shares, down payments made shall be forfeited in favor of SPNEC.

Rights Shares that are fully-paid pursuant to Option 1 within the Offer Period for Eligible Shareholders, QB Take-Up for Qualified Buyers, and the Sweep Period for the Principal Shareholder, as applicable, will be listed and made available for trading on the expected Listing Date, subject to compliance with applicable post-approval conditions. Partially-paid Rights Shares pursuant to Option 2 will be listed and made available for trading only after full payment thereof; compliance with the relevant post-approval requirements of the PSE, Philippine National Bank acting through its Trust Banking Group as the Transfer Agent, and/or the PDTC; and the submission to the PSE of the PDTC's written confirmation of the actual lodgment of the fully-paid Rights Shares. In this regard, the Receiving Agent shall verify the payment of the full amount of the balance made by the Applicant. Once verified, the Transfer Agent shall release to the PDTC a lodgement request for the Rights Shares in favor of the PCD Nominee. The PDTC, upon receipt of the lodgement request from the Transfer Agent, will confirm and credit the Rights Shares to the securities accounts of the DPs on the relevant listing date. The PDTC shall then release a Certificate of Lodgment for the newly paid Rights Shares, which the Company shall submit to the PSE. Trading shall commence at least three Trading Days after this submission.

The Issuer is required to submit a monthly report every fifth (5^{th}) Trading Day of the current month on the number of outstanding partially-paid Rights Shares based on the previous month-end balances until the earlier of: (a) all the Rights Shares are fully-paid or (b) the relevant due dates for balance payments have lapsed, subject to the Company's right to extend the payment period for partially-paid Rights Shares.

The Underwriters

The Underwriters are duly licensed by the SEC to engage in the underwriting or distribution of the Rights Shares. The Joint Issue Managers and Joint Lead Underwriters are Abacus Capital and Investment Corporation and China Bank Capital Corporation, and the Participating Underwriter is Investment & Capital Corporation of the Philippines. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of their businesses, for the Company or any of its affiliates.

There is no contract or arrangement existing between the Company, the Underwriters, or any other third party whereby the Underwriters may return any unsold securities from the Offer.

Abacus Capital and Investment Corporation

Abacus Capital and Investment Corporation was incorporated in the Philippines on 6 January 1995. The SEC granted it registration and authorization to act as an investment house, valid unless suspended or revoked for cause or cancelled by the SEC or voluntarily surrendered by the registrant, allowing Abacus Capital to act as Joint Issue Manager and Joint Lead Underwriter. Since it started operations in 1995, Abacus Capital had actively participated in a number of public offering transactions. As a full-service investment house, Abacus Capital provides the full line of corporate finance and merchant banking products and services. Abacus Capital's Board of Directors is chaired by Mr. Paulino S. Soo.

China Bank Capital Corporation

China Bank Capital is the wholly owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The company's services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of 31 December 2021, it has total assets of ₱2.80 billion and a capital base of ₱2.69 billion.

Participating Underwriter

Investment & Capital Corporation of the Philippines is an independent Investment House that provides a complete line and scope of investment banking services focused on debt capital market (DCM), equity capital market (ECM), financial advisory, mergers & acquisitions, and project development. Development Bank of Singapore owns a 20% stake in ICCP. ICCP obtained its license to operate as an Investment House from the SEC in 1988 and is licensed to engage in underwriting and distribution of securities to the public.

The Underwriters do not have any direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, the Underwriters do not have any relationship with the Company other than as Underwriters for the Offer. The Underwriters also have no direct relations with the Company in terms of ownership by either their respective major stockholders and have no right to designate or nominate any member of the Board of Directors.

Relationship with the Issuer

No relationship exists between the Underwriters and the Company other than as stated in the Underwriting Agreement entered by both parties, whereas the Underwriters have agreed not to receive any underwriting fees directly or indirectly in connection with the sale of the Rights Shares to the Issuer's existing Eligible Shareholders during the mandatory First Round of the Rights Offer and the mandatory Second Round of the Rights Offer, the underwriting being a technical compliance undertaken pursuant to the requirements of the PSE. Nevertheless, the Underwriters may receive fees for the shares sold during the QB Take-Up.

Procedure for Application

All applications to subscribe and purchase Rights Shares shall be evidenced by the ATP, duly executed by an authorized signatory of the Eligible Shareholder or Qualified Buyer, and the corresponding payment for the Rights Shares, covered by the Application and all other required documents.

Individual Eligible Shareholders and individual Qualified Buyers s must submit the following:

- A duly accomplished ATP;
- Two duly executed signature cards;
- A photocopy of one valid government-issued ID: UMID, SSS, GSIS, Driver's License, Passport, PhilHealth, Postal, Professional Regulation Commission ID, Integrated Bar of the Philippines ID, or Philippine Identification Card (PhilID);
- A copy of validated PNB bills payment slip for the Eligible Shareholder applicant and the proof of payment for the Qualified Buyer; and
- For applicants located offshore, if submitting the Application and other documents through email, an apostilled (of apostilled member country) or consularized Affidavit of Undertaking to Submit Original Copies of the Documents within 15 calendar days from the submission of the electronic mail of the scanned copies.

If the Eligible Shareholder or Qualified Buyer is a corporation, partnership, or trust account, the Eligible Shareholder or Qualified Buyer must submit:

- A duly accomplished ATP executed by the authorized signatory of the Eligible Shareholder or Qualified Buyer;
- Two completed signature cards, which should be authenticated by the corporate secretary or equivalent corporate officer (or managing partner in the case of a partnership);
- A certified true copy of the Articles of Incorporation and By-Laws of the Eligible Shareholder or Qualified Buyer, or the equivalent charter documents applicable for such institutional applicant, duly certified by its corporate secretary or its equivalent authorized officer;
- A certified true copy of the SEC Certificate of Registration or its equivalent document of the Eligible Shareholder or Qualified Buyer, issued by the relevant regulating authority in the jurisdiction where the applicant is a resident, duly certified by its corporate secretary or equivalent corporate officer (or managing partner in the case of a partnership);
- A duly notarized certificate of the Eligible Shareholder's or Qualified Buyer's corporate secretary or certificate of the managing partner in case of partnership that sets out: (a) the resolutions of the applicant's Board of Directors or equivalent body authorizing the subscription/purchase of the Rights Shares indicated in the Application and designating signatory(ies) for the purpose; (b) the specimen signature(s) of such designated signatory(ies); and (c) and certifying to the percentage of the Eligible Shareholder's or Qualified Buyer's capital or capital stock held by Philippine nationals;
- A copy of validated PNB bills payment slip for the Eligible Shareholder applicant and the proof of payment for the Qualified Buyer; and
- For applicants located offshore, if submitting the Application and other documents through email, an apostilled (of apostilled member country) or consularized Affidavit of Undertaking to Submit Original Copies of the Documents within 15 calendar days from the submission of the electronic mail of the scanned copies.

If the Eligible Shareholder or Qualified Buyer is not located in the Philippines (individual shareholder or corporation, partnership, or trust account), by accomplishing the Application, the Eligible Shareholder or Qualified Buyer represents and warrants that the Eligible Shareholder or Qualified Buyer is not a resident in the United States and the Eligible Shareholder's or Qualified Buyer's purchase of Rights Shares will not violate the laws of the jurisdiction where it is a resident or domiciliary.

If the beneficial interest over an Application submitted by a broker or custodian in the PCD system relates to a non-Filipino or an Eligible Shareholder or Qualified Buyer who is not located in the Philippines (natural persons or corporation, partnership, or trust account), the relevant broker or custodian must submit a certification letter to the Receiving Agent or the relevant Underwriter, as the case may be, representing and warranting that the Rights Offer and the beneficial owner's purchase of the Rights Shares does not and will not, violate the laws of the jurisdictions where such beneficial owners are residents or domiciled.

Eligible Shareholder applicants who wish to avail themselves of Additional Rights Shares must fill out the pertinent portion of the Application and include in one check payment for the Entitlement Shares and Additional Rights Shares.

The duly executed Application for the Rights Offer and required documents should be submitted during the Offer Period, not later than 12:00 noon of 5 September 2022, to the Receiving Agent, provided that if payment is made through a manager's check, corporate check, or personal check, the payment must be made on or before 11:00 a.m. on 5 September 2022 through PNB Bills Payment for certificated Eligible Shareholders. The deadline for payments of Eligible Shareholders with immobilized holding (lodged shares) will be based on their specific PDTC DPs. The DPs shall follow the usual procedure for rights offerings where take-up of rights is done through the PDTC System. The deadline for the check payments or payments via RTGS from DPs representing full payment of the total subscription price must be received by the PDTC on or before 10:00 a.m. on 1 September 2022.

The duly executed Application for the QB Take-Up and required documents should be submitted during the Offer Period, not later than 12:00 noon of the second Trading Day after the Offer Period, to the relevant Underwriter, provided that if payment is made through a manager's check, corporate check, or personal check, the payment must be made on or before 11:00 a.m. on the second Trading Day after the Offer Period, while the deadline for cash payments is at 12:00 noon on the same day.

Applications shall be considered irrevocable upon submission to the Receiving Agent or to the relevant Underwriter and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. The actual subscription and/or purchase of the Rights Shares shall become effective only upon the actual listing of the Rights Shares on the PSE.

Lodgment of Shares

The Rights Shares are required to be lodged with the PDTC. The applicants must provide the required information in the space provided in the Application to effect the lodgment. Applicants who do not have accounts with a DP must designate a DP whose depository account will be credited with the Applicant's subscription for the Rights Shares on the Listing Date.

Applicants may request the upliftment of their Rights Shares and receive stock certificates evidencing their investment in the Rights Shares through their broker after full payment and lodgment of the Rights Shares, in accordance with the existing upliftment procedures. Any expenses to be incurred in connection with such issuance of certificates shall be borne by the applicant, except for expenses incurred by the Transfer Agent, which shall be borne by the Issuer.

OWNERSHIP STRUCTURE

The following table presents the Company's ownership structure as of 19 August 2022:

Table 12: Pre-SRO Ownership Structure			
Name of Shareholder	**Nationality**	**Number of Shares Subscribed**	**% Ownership**
Solar Philippines Power Project Holdings, Inc.	Filipino	5,424,349,998	66.77%
PCD Nominee Corporation – Filipino[14]	Filipino	2,662,279,631	32.77%
PCD Nominee Corporation – Non-Filipino	Non-Filipino	37,131,370	0.46%
Jose Ivan T. Justiniano or Ma. Jema V. Justiniano	Filipino	200,000	0.00%
Johanna Theresa Austria Cid	Filipino	100,000	0.00%
Myra P. Villanueva	Filipino	100,000	0.00%
Myrna P. Villanueva	Filipino	50,000	0.00%
Milagros P. Villanueva	Filipino	50,000	0.00%
Elvira M. Cruz or Bernardo A. Cruz	Filipino	50,000	0.00%
Marietta V. Cabreza	Filipino	25,000	0.00%
Josemaria Gabriel D. Fadri	Filipino	5,000	0.00%
Ofelia R. Blanco	Filipino	5,000	0.00%
Jennifer T. Ramos	Filipino	4,000	0.00%
J. Carlitos G. Cruz	Filipino	1	0.00%
Benjamin I. Espiritu	Filipino	1	0.00%
Carlos Jose P. Gatmaitan	Filipino	1	0.00%
Aresty M. Lapitan	Filipino	1	0.00%
Gino Antonio C. Cruz	Filipino	1	0.00%
Leandro Antonio L. Leviste	Filipino	1	0.00%
Total		**8,124,350,005**	**100.00%**

Differences in decimal numbers are due to rounding off.

As of Prospectus Date, all issued and outstanding shares of the Company are fully-paid.

Please see below table that shows the ownership structure post-SRO, assuming that all shares are taken up by minority Eligible Shareholders (for purposes of illustration – PCD Nominee Corporation – Filipino):

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[14] Includes the shares owned by Countryside Investments Holdings Corporation, which form part of the indirect shares of Mr. Leviste above per SPNEC's Public Ownership Report as of 30 June 2022.

Table 13: Post-SRO Ownership Structure			
Name of Shareholder	**Nationality**	**Number of Shares Subscribed**	**% Ownership**
Solar Philippines Power Project Holdings, Inc.	Filipino	5,424,349,998	54.24%
PCD Nominee Corporation – Filipino[15]	Filipino	4,537,929,626	45.38%
PCD Nominee Corporation – Non-Filipino	Non-Filipino	37,131,370	0.38%
Jose Ivan T. Justiniano or Ma. Jema V. Justiniano	Filipino	200,000	0.00%
Johanna Theresa Austria Cid	Filipino	100,000	0.00%
Myra P. Villanueva	Filipino	100,000	0.00%
Myrna P. Villanueva	Filipino	50,000	0.00%
Milagros P. Villanueva	Filipino	50,000	0.00%
Elvira M. Cruz or Bernardo A. Cruz	Filipino	50,000	0.00%
Marietta V. Cabreza	Filipino	25,000	0.00%
Ofelia R. Blanco	Filipino	5,000	0.00%
Josemaria Gabriel D. Fadri	Filipino	5,000	0.00%
Jennifer T. Ramos	Filipino	4,000	0.00%
J. Carlitos G. Cruz	Filipino	1	0.00%
Benjamin I. Espiritu	Filipino	1	0.00%
Carlos Jose P. Gatmaitan	Filipino	1	0.00%
Aresty M. Lapitan	Filipino	1	0.00%
Gino Antonio C. Cruz	Filipino	1	0.00%
Leandro Antonio L. Leviste	Filipino	1	0.00%
Total		**10,000,000,000**	**100.00%**

Differences in decimal numbers are due to rounding off.

Further, the table below shows the ownership structure post-Share Swap, assuming that all shares issued to meet the minimum are taken by minority shareholders (for purposes of illustration – PCD Nominee Corporation – Filipino):

Table 14: Post-Share Swap Ownership Structure			
Name of Shareholder	**Nationality**	**Number of Shares Subscribed**	**% Ownership**
Solar Philippines Power Project Holdings, Inc.	Filipino	29,797,399,998	86.69%
PCD Nominee Corporation – Filipino[16]	Filipino	4,537,929,626	13.20%*
PCD Nominee Corporation – Non-Filipino	Non-Filipino	37,131,370	0.11%
Jose Ivan T. Justiniano or Ma. Jema V. Justiniano	Filipino	200,000	0.00%
Johanna Theresa Austria Cid	Filipino	100,000	0.00%
Myra P. Villanueva	Filipino	100,000	0.00%
Myrna P. Villanueva	Filipino	50,000	0.00%
Milagros P. Villanueva	Filipino	50,000	0.00%
Elvira M. Cruz or Bernardo A. Cruz	Filipino	50,000	0.00%
Marietta V. Cabreza	Filipino	25,000	0.00%
Ofelia R. Blanco	Filipino	5,000	0.00%
Josemaria Gabriel D. Fadri	Filipino	5,000	0.00%
Jennifer T. Ramos	Filipino	4,000	0.00%
J. Carlitos G. Cruz	Filipino	1	0.00%
Benjamin I. Espiritu	Filipino	1	0.00%
Carlos Jose P. Gatmaitan	Filipino	1	0.00%
Aresty M. Lapitan	Filipino	1	0.00%
Gino Antonio C. Cruz	Filipino	1	0.00%
Leandro Antonio L. Leviste	Filipino	1	0.00%
Total		**34,373,050,000**	**100.00%**

[15] Includes the shares owned by Countryside Investments Holdings Corporation, which form part of the indirect shares of Mr. Leviste above per SPNEC's Public Ownership Report as of 30 June 2022.

[16] Includes the shares owned by Countryside Investments Holdings Corporation, which form part of the indirect shares of Mr. Leviste above per SPNEC's Public Ownership Report as of 30 June 2022.

**As the public float will drop to below the minimum 20% public ownership required, the Company will undertake a potential follow-on offering, rights offering, private placement, or a combination thereof to augment and maintain the minimum public float*

Lock-Up

Several of the Company's shareholders were subjected to lock-up during the Company's IPO in 2021.

Pursuant to the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause its existing stockholders who own an equivalent of at least 10% of the issued and outstanding shares of stock of the Issuer to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements; or
- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Amended Listing Rules.

The Company, being in the RE business, invokes the exemption from the requirements on track record and operating history. Thus, stockholders who own an equivalent of at least 10% of the issued and outstanding shares of the Company are subject to 365 days lock-up reckoned from the IPO listing date.

Furthermore, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swap, or a similar transaction) or instruments that lead to an issuance of shares (i.e., convertible bonds, warrants, or a similar instrument) done and fully-paid for within 180 days prior to the start of the Offering Period, and the transaction price is lower than that of the Offer Price, all such shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such shares.

The following are covered by the lock-up requirement:

Table 15: SPNEC Shareholders Covered by Lock-Up Requirement

Shareholder	No of Common Shares Held	% Total of Shareholding	Period of Lock-up
Solar Philippines Power Project Holdings, Inc.	5,424,349,998	66.77%	365 days from 17 December 2021
Leandro Antonio L. Leviste	1	-nil-	
Aresty M. Lapitan	1	-nil-	365 days from 2 July 2021
Gino Antonio C. Cruz	1	-nil-	
Carlos Jose P. Gatmaitan	1	-nil-	
Benjamin I. Espiritu	1	-nil-	
J. Carlitos G. Cruz	1	-nil-	

The shareholders listed above, being subject to the lock-up requirement, have entered into a custodianship agreement Philippine National Bank acting through its Trust Banking Group as the custodian bank for the locked-up shares.

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THE COMPANY

The following discussion of the Company's business contains forward-looking statements, which involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Investment Considerations and Risks Factors" and elsewhere in this Prospectus.

History and Development

The Company was incorporated and registered with the SEC on 23 November 2016. The primary purpose of the Company is as follows:

> "the primary purpose of this Corporation is to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy"

On 22 August 2017, SPCRPI was awarded SESC No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting, and other studies of the solar energy resources in Santa Rosa, Peñaranda, and San Leonardo, Nueva Ecija. On 29 December 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to SPNEC. On 23 February 2018, the DOE acknowledged and approved the Deed of assignment between SPCRPI and SPNEC. Further, on the same day, DOE issued and approved a new Certificate of Registration under the name of SPNEC, which recognizes the Company as an RE developer with an amended SESC No. 2017-06-404-AF1. As of 30 June 2022, the Company has not yet started commercial operations.

The Company is developing the first phase of the Project, a 225 MWdc solar power plant to which it received LGU endorsements from the Sangguniang Barangay of Las Piñas, Peñaranda Nueva Ecija, the Sangguniang Barangay of Sinasajan, Peñaranda, Nueva Ecija, the Sangguniang Bayan of Peñaranda, Nueva Ecija for the whole 500 MWdc Project, and the Sangguniang Panlalawigan of Nueva Ecija for 300 MWdc, which is more than enough to cover the full 225 MWdc plant contemplated in Phases 1. The funds raised from the IPO are being primarily utilized for the construction and development of Phase 1 with the balance to be funded by debt to complete its funding requirements. On 15 November 2021, the Company secured the COCOC on the Project. The Company is dividing the implementation of Phase 1 into Phase 1A and Phase 1B, with Phase 1A consisting of up to 50 MWdc planned for commissioning around mid-2023 and Phase 1B consisting of 175 MWdc planned for commissioning by end of 2023 or within nine months of securing financing

for Phase 1B. Moving forward, the Company plans to construct an additional 275 MWdc for its Phase 2 development after it has commissioned Phase 1.

On 24 February 2022, the Board approved the acquisition of 100% of the outstanding shares held by SPPPHI in the Solar Philippines Assets through an asset-for-share swap, with SPPPHI subscribing for 24,373,050,000 shares of SPNEC at ₱2.50 per share. This Share Swap would be enabled by the increase in authorized capital stock from 10 billion Common Shares to 50 billion Common Shares, which was approved by SPNEC's Board of Directors on 10 January 2022, and by SPNEC's stockholders on 7 March 2022, subject to regulatory approvals.

The Share Swap is intended to expand SPNEC's portfolio, from one solar project in Nueva Ecija to a portfolio that includes over 175 MW of operational projects as well as developments in various provinces of the Philippines, in support of its goal of developing 10 GW of solar projects by 2025.

The following is a list of Solar Philippines Assets:

Table 16: List of Solar Philippines Assets

Project	Planned Capacity (MWdc)[a] / Status	SPV	Date of Incorporation	SESC	Primary Off-take	Economic Interest % of SPPPHI Pre-Share Swap / SPNEC Post-Share Swap
Batangas-1	63 MWdc Operating, 30 MW Wind for COD 2025	Solar Philippines Calatagan Corporation	9 June 2015	2014-12-091	FIT, GEAP	62.00%
Tarlac-1	100 MWdc Operating, 100 MWdc for COD 2023	Solar Philippines Tarlac Corporation	15 July 2015	2017-07-442-AF1	Meralco	50.00%[c]
Batangas-2	187 MWdc for COD 2024	Solar Philippines Tanauan Corporation	7 September 2016	2017-07-431, 2017-02-363-AF1	Meralco	50.00%
Tarlac-2	400 MWdc for COD 2025	Solar Philippines Central Luzon Corporation	2 March 2017	2017-07-436[b]	GEAP / Merchant	49.99%[d]
Quezon	800 MWdc for COD 2025	Solar Philippines South Luzon Corporation	6 April 2027	2018-03-479[b]	GEAP	100.00%
Leyte	400 MWdc for COD 2025	Solar Philippines Visayas Corporation	6 April 2017	2019-05-512	GEAP	100.00%
South Cotabato	200 MWdc for COD 2025	Solar Philippines Southern Mindanao Corporation	11 November 2021	2019-05-514[b]	GEAP	100.00%
Batangas-3	2,000 MWdc for COD 2026	Solar Philippines Batangas Baseload Corporation	8 March 2018	2017-05-384[b]	Pending Meralco	100.00%
Nueva Ecija-Bulacan	4,000 MWdc for COD 2026	Terra Solar Philippines, Inc.	21 June 2021	2017-07-434[b], 2017-06-405/407[b]	Pending Meralco	49.99%
Cebu	400 MWdc for COD 2026	Solar Philippines Visayas Corporation	6 April 2017	2017-02-364[b]	Pending	100.00%
Zambales	400 MWdc for COD 2026	Solar Philippines Zambales Corporation	23 November 2016	2017-06-415[b]	Pending	100.00%
Camarines Sur	400 MWdc for COD 2026	Solar Philippines South Luzon Corporation	6 April 2017	2019-05-513	Pending	100.00%
N/A	Retail Electricity Supplier	Solar Philippines Retail Electricity, Inc.	24 August 2016	N/A	N/A	100.00%
Laguna	5.9 MWdc Construction	Laguna Rooftop Solar Corporation	6 July 2021	N/A	PPA	20.00%
N/A	6 MWdc Operating / Various	Solar Philippines Rooftop Corporation	6 April 2017	Various		100.00%

a. Capacities refer to aggregate of phases, which would not necessarily all be in the same SPV or have the same COD.
b. Pending DOE approval of assignment from SPCRPI.
c. SPPPHI owns 100% of the outstanding common shares while Prime Metro Power Holdings owns 100% of the outstanding preferred shares. The preferred shares are convertible into the number of common shares resulting in a 50% common equity share.
d. ACEN Corporation currently owns 99.04%. Solar Philippines has the option to repurchase shares to return to the agreed 50% plus/minus 1 in favor of ACEN Corporation.

In addition, SPHI and SPCRPI are also envisioned to be subsidiaries of SPNEC in light of the Share Swap.

As disclosed previously, given the Share Swap, SPNEC will consider issuing to the public additional shares to maintain the required public float. The Issuer's disclosures may be viewed on PSE EDGE.[17]

[17] www.edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=688

On 15 August 2022, SPNEC and SPPPHI signed the Share Swap Agreement, which is due to be filed for regulatory approval. The Company expects to receive the SEC's approval of the Share Swap by the end of 2022.

The Company's business address is the 20th Floor Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines.[18]

SPPPHI was incorporated in 2014 and is headquartered in Makati City. The SP Group has grown its portfolio from its first four MWdc of solar rooftop installations in 2014 to the 63 MWdc Calatagan Solar Farm in 2016 to the total 100 MWdc Tarlac Solar Farm that began partial operations in 2019. Since its inception, the SP Group has been able to win three Meralco CSPs and formed project joint ventures with partners such as KEPCO Philippines Holdings, Inc., Prime Metro Power Holdings Corporation, ACEN Corporation, Mitsubishi Corporation, and PT Medco Power Indonesia.

The following shows the Company's milestones from incorporation:

23 November 2016	:	Incorporation of the Company
15 May 2017	:	Resolution of Support from the Sangguniang Barangay of Las Piñas, Peñaranda, Nueva Ecija
16 May 2017	:	Resolution of Support from the Sangguniang Barangay of Sinasajan, Peñaranda, Nueva Ecija
22 August 2017	:	SPCRPI was awarded SESC No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project
29 December 2017	:	SPCRPI executed a Deed of Assignment transferring all its rights and obligations to SPNEC
15 February 2018	:	The Municipality of Peñaranda, Nueva Ecija issued an ordinance authorizing the land reclassification in favor of Sta. Rosa Nueva Ecija 2 Solar Power Project
23 February 2018	:	DOE issued and approved a new Certificate of Registration in favor of SPNEC
16 March 2018	:	Resolution of Support from the Municipality of Peñaranda, Nueva Ecija for 100 MWdc
15 May 2018	:	Resolution of Support from the Sangguniang Panlalawigan of Nueva Ecija for 300 MWdc solar power project in Peñaranda, Nueva Ecija
30 July 2018	:	Received DOE Clearance to Undertake System Impact Study for up to 1200 MW
January 2020	:	NGCP issued the SIS results
29 May 2020	:	DENR issued the Environmental Compliance Certificate ("**ECC**") in favor of Sta. Rosa Nueva Ecija 2 Solar Power Project
8 February 2021		Resolution of Support from the Sangguniang Bayan of Peñaranda, Nueva Ecija for 500 MWdc solar power project
30 April 2021	:	DAR issued the Conversion Order for the first 169.86 hectares leased intended for Phases 1 and 2
25 May 2021	:	SEC approved the increase of the Company's authorized capital stock from One Million Pesos to One Billion Pesos
17 December 2021	:	Listed and commenced trading of shares of the Company in the Main Board of the PSE

[18] The principal office of the Company per the Articles of Incorporation is at 112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City, Philippines 1229.

10 January 2022	:	The Board of Directors approved the increase of the Company's authorized capital stock from 10 billion common shares to 50 billion common shares
4 February 2022	:	Executed the Renewable Power Supply Agreement with AEC for a period of 10 years starting on 26 March 2023
14 February 2022	:	The Board of Directors approved the conduct of a stock rights offering, the terms of which shall be determined by Management, where eligible stockholders of record of the Company will have the opportunity to subscribe for common shares of the Company
24 February 2022	:	The Board of Directors approved the asset-for-share swap between the Company and SPPPHI whereby in exchange for 24,373,050,000 shares of the Company at an issue price of ₱2.50 per share, SPPPHI and its affiliates will transfer to the Company 100% of its outstanding shares in entities identified by Management. Definitive agreements for the Share Swap will be disclosed once executed.
7 March 2022	:	During the Special Stockholders of the Company, the stockholders approved (a) the Increase, (b) the waiver of the legal requirement that a rights or public offering be undertaken prior to a share swap notwithstanding that the share swap price is at a premium to the weighted average price of the shares, and (c) the Share Swap.
28 March 2022	:	Pursuant to the approval of its Board of Directors, the Company disclosed that it is confirming the plan to source the shares for the Offer from its unissued capital stock of 1,875,649,995 shares. The Company likewise disclosed that the entitlement ratio shall be one (1) Rights Share for every 1.28 common shares held, to be offered at a price range of ₱1.60 to ₱1.76 per share.
6 April 2022	:	Pursuant to the board approval on 20 December 2021, the Board of Directors authorized the reallocation of IPO proceeds for the advance funding of Off-Take Agreements and development of projects of Terra Renewables Holdings, Inc. (Terra) and its associated developments through SP Holdings, Inc. (SPHI), given that SPHI is a shareholder in Terra and SPHI is going to be a subsidiary of SPNEC through the share swap approved by SPNEC's stockholders on 7 March 2022; provided, that this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija Solar Project and would form part of the expansion of SPNEC's projects.
8 April 2022	:	The Company filed with the SEC an application seeking confirmation that the Offer is a transaction exempt from the registration requirements of the Securities Regulation Code.
29 April 2022	:	The Board of Directors (i) approved the postponement of SPNEC's Annual Stockholders' Meeting from 2 May 2022 to 30 August 2022, with 28 July 2022 as record date, to give the Company sufficient time to prepare additional matters and materials which may have to be presented to the stockholders, and (ii) authorized the Company to transact with banks for the purpose of securing bid securities for potential off-take agreements and confirmed that IPO proceeds may be used as collateral for this purpose.
24 June 2022	:	SPNEC won a 280 MW contract under the DOE's GEAP.[19]
4 July 2022	:	The Board of Directors approved (i) the allocation of IPO proceeds towards fees and expenses for the processing of the Company's asset-for-share swap, provided this will only be from the excess of the amount needed by Phase 1A

[19] www.doe.gov.ph/geap/advisory?q=geap/notice-of-award

of the Nueva Ecija Solar Project; (ii) the authority of the Company to accept the transfer by way of donation of shares in Solar Philippines entities (as listed in its Comprehensive Corporate Disclosure) owned by Mr. Leandro Antonio L. Leviste or Countryside Investments Holdings Corporation, including shares in SP Holdings, Inc., which are not directly held by Solar Philippines Power Project Holdings, Inc.; (iii) the appointment of Atty. Jesusa Loreto A. Arellano as Director, Treasurer, and Chief Financial Officer; (iv) the appointment of Ms. Hazel Iris P. Lafuente as Assistant Treasurer and Chief Project Officer; (v) the appointment of Mr. Martin Charles Crotty and Mr. Danny Kennedy as Senior Advisors to the Company; and (vi) the Company's authority to appoint to the Company other officers of Solar Philippines in support of the execution of the Company's planned expansions.

15 August 2022 : SPNEC and SPPPHI signed the share swap agreement for the issuance by SPNEC of 24,373,050,000 shares at an issue price of Php 2.50 per share in exchange for the shares of Solar Philippines in various entities.

Below is the Company's corporate structure before and after the conduct of the Offer assuming that the Offer is fully subscribed by the minority Eligible Shareholders and Qualified Buyers, and after the completion of the Share Swap:

Figure 5: SPNEC Corporate Structure Pre-Offer

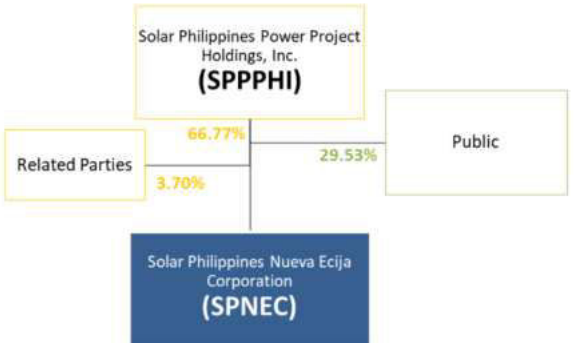


Figure 6: SPNEC Corporate Structure Post-Offer and Pre-Swap

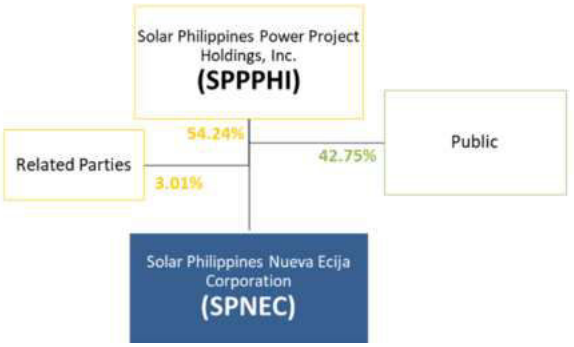


Figure 7: SPNEC Corporate Structure Post-Swap and Pre-Issuance*

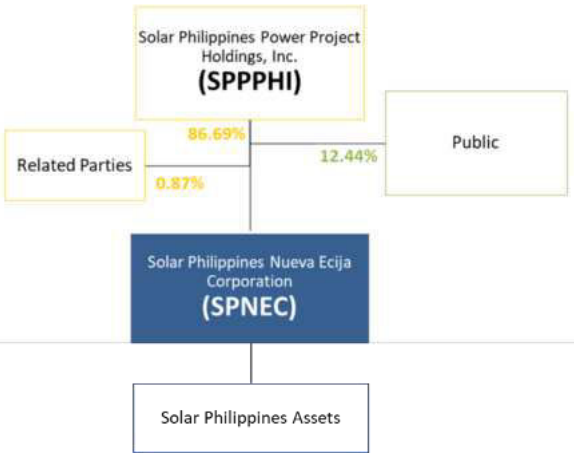
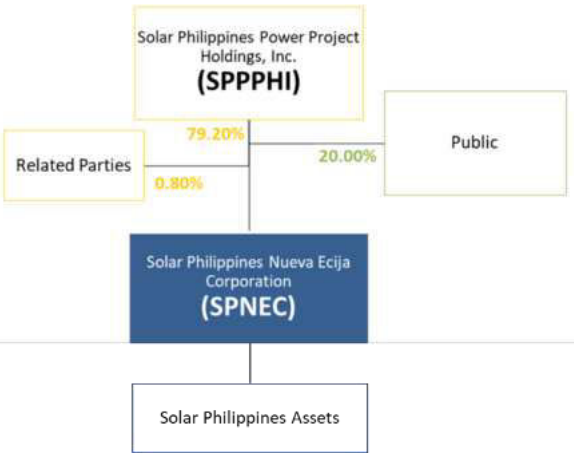


Figure 8: SPNEC Corporate Structure Post-Swap and Post-Issuance*



**As the public ownership float will drop to 12.44% post Share Swap, the Company will undertake a potential follow-on offering, stock rights offering, private placement, or a combination thereof to augment and maintain the minimum public ownership float of 20.0%*

Since its incorporation, SPNEC has not been the subject of any bankruptcy, receivership, or similar proceedings. Furthermore, since incorporation, the Company has not undergone any material reclassification or purchase or sale of a significant amount of assets not classified as ordinary.

On 14 February 2022, the Board of Directors approved the conduct of a stock rights offering where eligible stockholders of record of the Company, as of the date to be set by Management in accordance with existing law and regulations, will have the opportunity to subscribe for common shares of the Company, subject to the terms to be determined by Management, the approval of the increase of the authorized capital stock of the Company, and the requirements and relevant approvals of the SEC and the PSE.

Corporate Vision-Mission

Vision

To make solar the largest source of energy in the Philippines.

Mission

To accelerate the adoption of solar energy.

Competitive Strengths

As the developer of the largest solar farm in the Philippines upon its targeted commissioning, the Company has competitive strengths that would result in the success of the project, profitable operations, and opportunities for growth. These are as follows:

Prepared to Pursue Off-take on an Opportunistic Basis

SPNEC secured a 10-year fixed-price Off-take Agreement with AEC. In addition, the Company won a 280 MW contract in the recently concluded DOE GEAP. The Company shall continue to pursue additional off-take on an opportunistic basis, capitalizing on the limited capacity of other solar power plants and the number of off-takers seeking cost-competitive renewable energy.

Economies of Scale

The Company is focused on developing projects that have potential for expansion, given the availability of land and access to interconnection. The Company believes these economies of scale will enable it to spread over a larger capacity the fixed costs of construction and operations to achieve a cost advantage.

Solar Development Expertise

The Company can tap the senior management team of the SP Group, which includes individuals with extensive experience in developing solar power projects in the Philippines as well as the power projects in other markets, leveraging global best practices to develop projects in the Philippines.

The construction of the Company's projects are similar to that of the other solar farms of SPPPHI that are now operating. The 63 MWdc Calatagan Solar Farm commenced full construction in Q3 2015 and started commercial operations in Q1 2016. The 100 MWdc Concepcion Solar Farm commenced full construction in Q4 2018 and started partial commercial operations in Q2 2019.

Distribution Method of the Products or Services

The Company, being a power generation company, is allowed to sell electricity to the DU, retail suppliers, or the electricity spot market through either bilateral contracts or through the WESM. Power generated by the Company shall be delivered to its customers through interconnection facilities connecting to NGCP.

The Company's plan at present is to pursue off-take through agreements with RESs, and/or participate in CSPs. Alternatively, without an Off-take Agreement, the Company shall still be able to supply power through the WESM, where renewable energy has priority dispatch over other sources.

New Products and Services

Considering its Share Swap, the Company is now developing projects in various provinces in support of its goal of developing 10 GW of solar projects by 2025.

Business Plans and Strategies

Below are the key business strategies of the Company.

Securing off-take through contracting on an opportunistic basis

Achieving predictable and low-risk revenue for SPNEC is possible through one or more of the following:

Participation in DU/EC CSPs

According to recently published Power Supply Procurement Plans ("**PSPP**") by the DOE, various DU's will be auctioning significant capacities over the coming months, giving SPNEC multiple opportunities to contract its power as CSP's are conducted.

An additional driver for the demand of DUs for renewable energy specifically is the Renewable Portfolio Standard ("**RPS**") mandated by the RE Law and implemented starting this year. DUs and energy retailers shall have an increasing minimum share of its energy purchases required to be sourced from renewable energy generating plants, which SPNEC can provide.

To help achieve RPS targets, the DOE has initiated the Green Energy Auction Program ("**GEAP**") whereby the DOE has facilitated contracting with renewable energy generators.

As of Prospectus Date, SPNEC has contracted a portion of its capacity by securing a 10-year Off-take Agreement with AEC and winning a 280 MW contract in the DOE GEAP.

Selling to Retail Electricity Suppliers or CCs

Another opportunity for SPNEC is to contract its power to Retail Electricity Suppliers. RES aggregate energy from generation companies and sell to CCs enabled through the Retail Competition and Open Access ("**RCOA**").

The RES energy market is unregulated, presenting a straightforward contracting process that SPNEC can enter. Additionally, the sales of electricity to the RESs are typically contracted over shorter tenures versus DU PSAs, presenting ample annual market demand that can be supplied by cost-competitive generation.

SPNEC also has the option to contract with its RES-licensed affiliate, SPREI, catering directly to CCs. Collectively, the SP Group has existing businesses with SM, Robinsons, and other high-demand conglomerates that are potential opportunities for contracting through the RES.

Selling to the WESM

The WESM remains an attractive off-take option for SPNEC, because the energy produced by SPNEC, as variable renewable energy, shall always take precedence over generation from other sources. This ensures SPNEC's energy will always be sold through the WESM at the spot price.

Historical WESM prices, weighted against the solar generation profile, has been above ₱3.92/kWh from 2015 to 2020 and around ₱5.77/kWh most recently, in 2021. This indicates a modest downside scenario and a high upside at which levels SPNEC can wholly or partially sell its energy.

Leveraging the SP Group's solar development expertise and maximizing the economies of scale of its project developments

The Company benefits from the efficient use of its capital for building the Project in terms of cost, quality, and time through:

Direct Sourcing of Big-Ticket Equipment and Services for Lowest Cost

The Company plans to directly source major equipment such as solar modules, inverters, mounting structures, and cables from manufacturers, and to directly employ specialized subcontractors and labor to cut out potential margins a general EPC contractor would otherwise charge on the Company. This approach shall result in cost savings while maintaining design standards through utilizing the SP Group's engineering resources seconded to the Company.

Furthermore, as a registered RE Developer, the Company is entitled to tax and duty incentives best utilized by direct sourcing. The Company shall enjoy duty-free importation of equipment, which may comprise over 80% of EPC cost, and zero-rated VAT for local purchases.

Sourcing only from Leading Equipment Suppliers and Service Providers to Ensure High Quality

The Company shall source from market leaders for each major solar equipment and service. This shall ensure the reliability of the equipment and after-sales support during both the construction and operations of the Project.

Access to the SP Group's In-house EPC Team with Track Record of Commissioning Solar Plants

The SP Group has an in-house EPC team, which the Company plans to utilize through secondment of key personnel.

The SP Group has commissioned over two utility-scale solar farms to date: Calatagan with 63 MWdc in 2016 and Tarlac with 100 MWdc as of 2020.

Given the limited number of large-scale solar farms commissioned in the Philippines as of 2022, the Company stands to benefit from the experience of one of the few groups that has managed to design and execute such projects, which takes into consideration challenges specific to the Philippine context.

The Company benefits from lower plant operational expenses and optimal generation through:

Direct Hiring of O&M Employees and Specialist Services for Efficient Use of Operational Budget

The Company plans on directly hiring Plant Managers, O&M engineers, and O&M technicians, and directly sourcing specialized services to cut out the potential margins a general O&M contractor would otherwise charge the Company. This ensures that the in-house O&M team has aligned objectives with the Company, where cost and performance efficiencies can be fully realized by the Company.

Furthermore, directly sourcing equipment spares, materials, and services has tax incentives from the Government as the Company is a registered RE company.

Leveraging from the SP Group's Plant Management Track Record for Plant Reliability

The SP Group has an in-house Plant Management and O&M team across its power generation entities, a number of key personnel of which can be utilized by the Company.

The SP Group operates several solar installations with directly hired O&M teams, including the Calatagan 63 MWdc, which has already been operating now for over five years.

The Company's plant management team shall benefit from the shared experience of the SP Group's operations, including cost optimizations and yield improvements done in other sites.

Suppliers/Contractors

The key equipment and materials to construct a solar farm include solar modules, solar inverters, and mounting structures, while key works to be contracted out are DC-side electrical, AC-side electrical, and civil and structural works. The Company is not dependent on a limited number of suppliers and contractors as there is a mature market for Solar EPC Contractors that covers all key equipment, materials, works, and all other items needed to complete a project that the Company can source (either in the entirety of scope or in certain work packages), which includes major players such as PowerChina, Samsung C&T, Sterling & Wilson, and Mitsubishi Corporation. The Company may also directly source for key equipment, with solar modules being the largest cost component.

Suppliers and contractors for plant operations will be limited to the operations and maintenance of equipment, and groundskeeping. The Company may rely on SP Group's O&M provider given its track record in other plants, while other services may be sourced from many local providers.

The Company is currently conducting biddings for the supply of equipment materials and service providers.

Customers

On 4 February 2022, the Company entered into a Renewable Power Supply Agreement with AEC for a term of 10 years to supply renewable energy to cater to the daytime peak-hour power requirements of AEC from 6:00 a.m. to 6:00 p.m. Under this agreement, SPNEC shall deliver the contracted quantity of 97,800 kWh/day or 35,697,000 kWh per year. In addition, the Company won a 280 MW contract in the recently concluded DOE GEAP.

Competition

The Company plans to supply power into the Philippine power market and join Competitive Selection Process's (CSP's). All the country's power companies compete and actively participate in CSP's using their planned and existing renewable and non-renewable energy power plants, the largest of which are Aboitiz Power Corporation, SMC Global Power Holdings Corp., First Gen Corporation, and ACEN Corporation.

Based on publicly available data, these companies have the following market capitalizations as of 23 August 2022.[20]

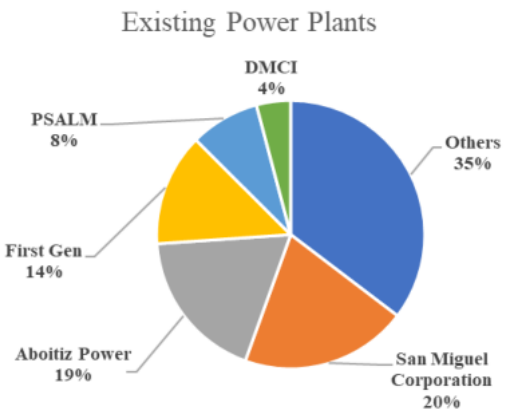
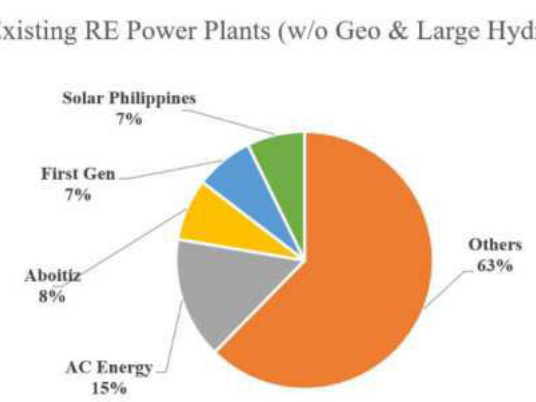
Table 17: Market Capitalization of Power Companies Listed on the PSE as of 23 August 2022

Company	Amount (in ₱billions)
ACEN Corporation	₱332.22
Aboitiz Power Corporation	₱228.48
First Gen Corporation	₱69.20
San Miguel Corporation*	₱242.61

**Includes non-power business*

[20] www.edge.pse.com.ph

The market share of major power companies in the power generation industry, as defined by operating assets as of December 2020, is shown below. Note that installed capacity is 26GW. Specifically for renewable energy (as defined in RA 9163), the table below captures the share per company with the most operating assets (2.1GW). It can be noted that the installed RE market currently does not have clear market leaders.[21]

Figure 9: Market Share of Major Power Companies	Figure 10: Renewable Energy Market Share of Major Power Companies
	

To the extent that the Company is specifically developing solar plants focused on CSP's for renewable energy in areas conducive for solar power, the Company competes with the same power companies in that practically all of them have signified their intention to increase their investments in renewable energy, especially in light of the DOE's announced moratorium on new coal.

The Company believes that its competitive advantage is its lower costs due to the economies of scale of its site in Nueva Ecija. The Company's competitive strengths are elaborated upon in the section entitled "Competitive Strengths" on page 100 of this Prospectus.

Research and Development

The Company spent the following research and development expenses in the past three years, for the six-month period ended 30 June 2021, and for the year ended 30 June 2022.

Table 18: SPNEC Research and Development Expenses: CY 2018-FY 2022					
	CY 2018 (Jan-Dec)	**CY 2019 (Jan-Dec)**	**CY 2020 (Jan-Dec)**	**2Q FY 2021 (Jan-June)**	**FY 2022 (Jul-Jun)**
System Impact Study	-	₱2,391,471	-	-	-
Environmental Impact Assessment	-	-	₱888,889	-	-
Total	**-**	**₱2,391,471**	**₱888,889**	-	**-**

**Percentage to revenues during each of the periods cannot be provided because the Company still has no revenues and has not yet started commercial operations.*

[21] www.doe.gov.ph/list-existing-power-plants

Transactions with and/or Dependence on Related Parties

Parties are considered 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, the parties are subject to common control, or the party is an associate or a joint venture. Under SEC Memorandum Circular No. 24, series of 2019 the term "related parties" covers "the covered entities directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common law, and other persons if these persons have control, joint control or significant influence over the covered entity," and the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party." "Related party transactions" mean transfers of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. The circular adds that this term "should be interpreted broadly to include not only transactions entered into with related parties but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party."

Except as indicated otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made in terms and prices agreed upon by the parties.

The following shows the due to related party accounts as of 31 December 2018 to 2020, 30 June 2021, and 31 March 2022.

Table 19: SPNEC Due to Related Parties (Cash Advances)					
	As of 31 December			**As of 30 June**	**As of 30 June**
Amounts in ₱millions	**2018**	**2019**	**2020**	**2021**	**2022**
Parent Company	₱44.03	₱10.67	₱17.39	₱22.79	₱22.79
Shareholder	-nil-	-nil-	-nil-	-nil-	-nil-
Due to Related Parties	**₱44.03**	**₱10.67**	**₱17.39**	**₱22.79**	**₱22.79**

Differences in decimal numbers are due to rounding off.

In 2019, the Company rescinded, through various mutual rescission, the original Contract to Sell between the Company and landowners amounting to ₱34.9 million, since the management assessed that the said parcels of land are to be subsequently acquired by the Parent Company. New Contracts to Sell were subsequently executed between the Parent Company and the same landowners. The deposits paid by the Company to the landowners amounting to ₱34.9 million were offset against the due to Parent Company as reimbursements for the rescinded contracts.

On 20 February 2021, the Company entered into a Memorandum of Agreement ("**MOA**") with an affiliate, PIC, which MOA was later amended on 3 March 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., deeds of absolute sale ("**DOAS**"), to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267 million, which represents the full payment.

On 19 April 2021, the Company entered into a MOA with an affiliate, Lupang Hinirang Holdings Corporation ("**LHHC**"), to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., DOAS to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270 million, which represents the full payment.

These payments for a total consideration of ₱537 million are presented as "Deposits for land acquisition" in the 30 June 2021 financial statements of the Company. Land covered by the MOA with PIC and LHHC are targeted to be acquired within 2022.

The Company did not employ any personnel as of 31 December 2017 to 30 April 2021. During this period, the administrative function and finance function of the Company were handled by its Parent Company. On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI which covers all necessary administrative and advisory services on management, investment, and technical matters involving the Company's operations for a period from 1 May 2021 to 30 April 2024, in which the parties upon mutual agreement may renew or extend. Total annual fee for the said agreement would be ₱24,000,000.00, exclusive of VAT. The Company recorded a payable to its Parent Company as of 30 June 2021, and 30 June 2022, amounting to ₱3.88 million and ₱9.70 million, net of applicable withholding tax, respectively.

Intellectual Property

The Company's operations are not dependent on any copyright, trademark, patent, license, or franchise/royalty agreement.

Effect of Existing or Probable Governmental Regulations

The Company is subject to the laws governing all Philippine corporations, such as corporation law, securities law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including RA No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9679 or the Home Development Mutual Fund Law of 2009, the Philippine Labor Code and its implementing rules and regulations, and other labor-related laws, regulations, and mandated work-related programs of DOLE.

The Company closely monitors its compliance with applicable laws and government regulations affecting its businesses.

The following lists the government approvals required for the Company's business.

Bureau of Internal Revenue

- Certificate of Registration

Securities and Exchange Commission

- Certificate of Incorporation, Articles of Incorporation and By-Laws

Department of Energy

- Renewable Energy Service Contracts (RE Service Contracts) and Renewable Energy Operating Contracts – each a service agreement between the Government, through the DOE or the President, and the RE Developer for a specific period as determined by the DOE during which the RE Developer has the exclusive right to explore, develop or utilize the RE resources within a particular area, currently being implemented under DOE Department Circular No. 2019-10-0013.

- Certificate of Registration – issued to an RE Developer upon the effectivity of the RE Contract and upon approval of additional investment, to serve as the basis for the RE Developer's entitlement to the incentives provided under the Renewable Energy Act of 2008.

- Certificate of Confirmation of Commerciality – this certificate converts the project from the Pre-Development Stage to the Development/Commercial Stage. It serves as a notice to proceed to the construction phase of the project. Considering that the Service Contracts clearly state that the Pre-Development Stage shall be for a non-extendible period of two years from effective date, the Solar installations are required to have the COCOC within two years from the grant of the service contract by the DOE.

- The COCOC refers to the certification issued by the DOE confirming the declaration made by the RE Developer that the project is commercially feasible. The Declaration of Commerciality, on the other hand, is the written declaration by the RE Developer that the electricity to be generated from the renewable energy project is commercially feasible and viable. The issuance of the COCOC by the DOE is the reckoning point for the transition of the project from Pre-Development to Development Stage. The Development Stage refers to the development, production, and utilization of the RE resources, including the construction and installation of the relevant facilities up to the operation phase thereof. The submission of the COCOC is typically one of the requirements of banks for the grant of loans for project financing. The Company estimates that the Commerciality Certificate will be issued by the DOE within the Q4 2021.

- Certificate of Compliance – refers to a license issued by the ERC in favor of a person or entity to operate a power plant or other facilities used in the generation of electricity. This certification is required before a power plant goes into commercial operation. The application must be filed not later than three months before the targeted date of Test and Commissioning.

Non-compliance or violation of the established guidelines of the DOE relative to the Renewable Energy Act of 2008 shall result in imprisonment of one year to five years, or a fine ranging from One Hundred Thousand Pesos (₱100,000.00) to One Hundred Million Pesos (₱100,000,000.00) or twice the amount of damages caused or costs avoided for the noncompliance, whichever is higher. Operating without a Certificate of Compliance issued by the ERC is punishable by fine and penalties as the ERC deems fit pursuant to Article III of the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of RA No. 9136, as Amended.

Department of Environment and Natural Resources

All projects are generally required to secure environmental clearance, either in the form of an ECC or a Certificate of Non-Coverage (CNC). The requirements and processes will vary depending on whether the project contemplated is: (a) within or without the Philippine Environment Impact Statement (EIS) system; (b) considered an environmentally critical project; and (c) located in an environmentally critical area.

The ECC or the CNC from the DENR Regional Office is a document issued by the Environmental Management Bureau ("**EMB**") after a positive review of an application, certifying that based on the representations of the proponent, the proposed project or undertaking will not cause significant negative environmental impact. An ECC contains specific measures and conditions that the project proponent has to undertake before and during the operation of a project, and in some cases, during the project's abandonment phase, to mitigate identified environmental impacts.

All ECC/CNC applications shall be accompanied by:

- Environmental Impact Assessment (EIA) Report in the form of an EIS;
- An Initial Environmental Examination (IEE) Checklist Report;
- An Environmental Performance Report and Management Plan (EPRMP); and
- Programmatic EIS or Programmatic EPRMP.

For projects operating without an ECC: A fine of ₱50,000.00 is imposed and reduced at the discretion of the DENR Secretary or the EMB Director, considering the circumstances of each case, i.e., impact of the violation on the environment. In case of violation of ECC conditions, a fine of ₱50,000.00 is again set as the maximum amount of fine per violation. Violation of one condition in the ECC is an offense separate and distinct from the violation of another condition. Finally, misrepresentation in the Environmental Impact Assessment Reports or any other documents submitted by the Company is punishable by a fine of ₱50,000.00 for every proven misrepresentation.

Energy Regulatory Commission

For Off-take Agreements executed into with a regulated entity, i.e., DU or Electric Cooperative ("**EC**"), the ERC needs to approve the terms of the contract before it can take effect. The ERC will determine a fair and reasonable generation cost that a DU or EC can pass on to its captive market and determine/approve a reasonable generation cost under the Off-take Agreement. Without the ERC approval, the Off-take Agreement is deemed not valid.

Wholesale Electricity Spot Market

The WESM is a market where trading of electricity in the Philippines is made. It establishes basic rules, requirements and procedures that govern the operation of the Philippines' electricity market. As a power generator, the Company must register as a participant in the WESM.

Permits and Licenses

In pursuing its business, the Company secured the following permits and licenses from the Government:

Table 20: Licenses, Permits, and Certificates			
License / Permit / Certificate	**Date Awarded/Issued**	**Term/Expiry**	**Issuing Authority**
DOE RE Service Contract	22 August 2017	No expiry	DOE
LGU Resolution of Support from the Sangguniang Barangay of Las Piñas	15 May 2017	No expiry	LGU
LGU Resolution of Support from the Sangguniang Barangay of Sinasajan	16 May 2017	No expiry	LGU
LGU Resolution of Support from the Municipality of Peñaranda, Nueva Ecija for 500 MWdc	8 February 2021	No expiry	LGU
LGU Resolution of Support from the Sangguniang Panlalawigan of Nueva Ecija for 300 MWdc	15 May 2018	No expiry	LGU
Bureau of Customs (BOC) Registration Certificate	29 March 2022	29 March 2023	BOC
DOE Certificate of Registration	23 February 2019	No expiry	DOE
Environmental Compliance Certificate (ECC)	29 May 2020	No expiry	DENR
NGCP SIS	January 2020	No expiry	NGCP
National Commission on Indigenous People (NCIP) Certificate of Non-Overlap (CNO)	21 November 2018	No expiry	NCIP
Tree Cutting Permit	13 May 2022 (Phase 1 169.86 hectares)	July 2 (Tree Cutting Completed)	DENR
Philippine Coconut Authority (PCA) Certificate of Verification/Inspection	22 March 2018	No expiry	PCA
Sugar Regulatory Administration (SRA) Certificate of Verification/Inspection	30 April 2018	No expiry	SRA
National Irrigation Administration (NIA) Certification Non-Irrigation	13 September 2019	No expiry	NIA
DAR Conversion Order	30 April 2021 (Phase 1 169.86 hectares)	No expiry	DAR
Certificate of Finality of DAR Conversion Order	11 October 2021 (Phase 1 169.86 hectares)	No expiry	DAR
DOE Certificate of Confirmation of Commerciality	15 November 2021	No expiry	DOE
Clearance for Installation of Power Transmission Lines Traversing Sta. Rosa-Fort Magsaysay Road at Sta. Rosa, Nueva Ecija	29 June 2022	No expiry	DPWH
Business Permit	21 February 2022	31 December 2022	City of Makati – Business Permits Office
BIR Registration	6 April 2017	No expiry	BIR
ERC Certificate of Compliance	For Application		ERC
ERC Approval of Transmission Point-to-point	For Application		ERC
WESM Registration	For Application		Philippine Electricity Market Corporation

As of 19 August 2022, the Company is in the process of applying for some permits necessary to conduct its business and operations.

Environmental Laws

SPNEC must comply with environmental law, rules, and regulations in developing, constructing, and operating its facilities. The Philippines adheres to the Environmental Impact Statement (EIS) System. This allows the proponent company and the Government through the DENR to assess the direct and indirect impact of the project on the biophysical and human environment and ensure that these impacts are addressed by appropriate environmental protection and enhancement measures. Under this system, the Company is required to undergo an Environmental Impact Assessment before the commencement of each project. This involves predicting and evaluating the likely impacts of a project (including cumulative impacts) on the environment during construction, commissioning, operation, and abandonment. It also includes designing appropriate preventive, mitigating, and enhancement measures addressing these consequences to protect the environment and the community's welfare. A positive determination by the EMB results in the issuance of an ECC document, to be conformed to by the project proponent. The release of the ECC allows the project to proceed to the next stage of project planning, which is the acquisition of approvals from other government agencies and LGUs, after which the project can start implementation.

The average costs of the Company in acquiring and complying with environmental laws is approximately ₱200,000.00 per project, due to the DENR and the LGUs from the barangay level to the provincial level.

The average cost for water permits due to the NWRB is ₱300,000.00 per annum.

Employees

The Company did not employ any personnel as of 31 December 2017 to 30 April 2021. During this period, the Company's operations, business development, administrative, and finance functions were handled by the Parent Company. On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from 1 May 2021 to 30 April 2024, in which the parties, upon mutual agreement, may renew or extend. Under the Management Service Agreement, the Parent Company shall provide operational and administrative support services to the Company through its employees and employees of the SP Group. Under the Management Service Agreement, the Parent Company is entitled to a fixed monthly fee of ₱2,000,000.00. As of 26 December 2021, the Company deployed five employees under SPCRPI to perform preliminary site works and six employees under Solar Maintenance Service Corporation to perform initial site clearing operations.

Before the commissioning date, which is expected to be in the next 12 months, the Company will hire a total of 45 professionals and engineers for the plant's operation and maintenance.

The Company does not have employees. As such, it has no collective bargaining agreement.

Description of Properties

The Company's principal office address based on its Articles of Incorporation, as amended, is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City, Philippines 1229. The Company is, however, holding its business offices at the 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226.

The Company currently holds rights over a total of 118 parcels comprising 352.42 hectares of land composed of secured leases in Las Piñas, Peñaranda, Nueva Ecija.

For the secured leases, the effective term is 25 years with the earliest lease commencement and expiry dates being 1 January 2020 and 30 April 2047, respectively. The said leases may be subject to renewal for another five years or for a reasonable period upon agreement between the Company and the landowner. In the case however of the lease agreement with Las Piñas Agro Industrial Corporation, the term shall be extended for another five years after its expiry, and any extension beyond this first five-year extension may be agreed at any point during the term by the Company and the landowner.

The Company also entered into a Memorandum of Agreement with PIC and LHHC to acquire land for potential expansion; the details of which are discussed in the "Material Contracts and Agreements" section found on page 189.

The Company shall commence construction of the Project in accordance with Table 32: Sources and Uses of Funds for the Construction and Development of Phase 1 found on page 141.

The Company has yet to determine the properties for future acquisition. The Company is currently surveying proposed project sites for possible future acquisitions.

Other than those mentioned, the Company does not own any other properties.

Legal Proceedings

As of Prospectus Date, the Company is not involved in any material litigation, arbitration, or similar proceedings, and is not aware of any such proceedings pending or threatened against it or any its properties, which are or might be material.

As of 19 August 2022, the Company's affiliates are involved in legal actions arising in the ordinary course of business such as labor cases and applications before the Energy Regulatory Commission usually filed by a company engaged in renewable energy development, operations, and production. The Company does not consider any of these as material as these legal proceedings will not affect the daily operations of its business nor will it have any material effect on the present financial position of the Company.

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SUMMARY OF TECHNICAL STUDY

Feasibility Study

When its affiliate, SPCRPI, applied for an SESC (SESC No. 2017-06-404 issued on 22 August 2017) that was later assigned to SPNEC, the Company conducted a feasibility study to support the application. Below are the salient findings of the feasibility study conducted in-house:

Table 21: Feasibility Study Salient Findings	
Project Capacity	450 MWdc in approximately 412 hectares
Climatic Conditions	Peñaranda, Nueva Ecija is classified by the Manila Observatory and DENR as an area with high risk of typhoons
Volcanic Activity	The nearest volcanic threat to the Project is Mount Pinatubo, which is considered as one of the most active volcanoes in the world. It is approximately 73 kilometers from the Project site
Landslide and Flooding Susceptibility	Site investigation and interviews confirm the low likelihood of flooding. The potential likelihood of occurrence of landslides are considered low, which may possibly occur during severe weather conditions and high-magnitude earthquakes, of which the affected areas are most likely to be limited along the channel banks
Soil Assessment	Soil series within the Project area is dominated by the Prensa Series, which are formed on weakly stratified unconsolidated concretionary fine clay materials

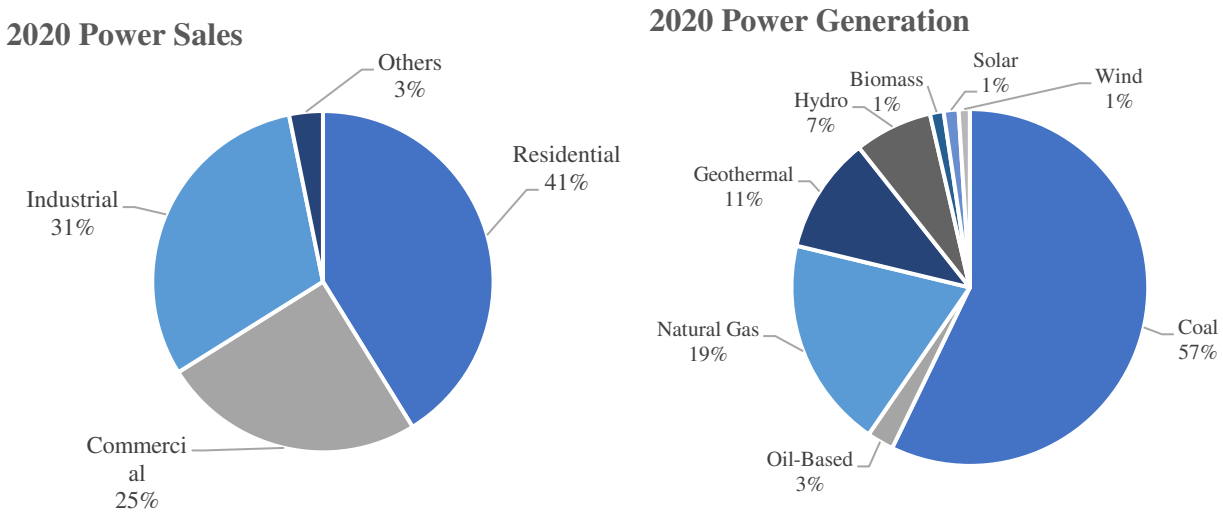
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INDUSTRY OVERVIEW: PHILIPPINE POWER INDUSTRY

Power Supply and Demand Highlights[22][23]

Based on the Department of Energy's (DOE) annual statistics, the country's total electricity consumption and sales decreased from 106,041 GWh in 2019 to 101,756 GWh in 2020, which is mostly because of the coronavirus pandemic. Although given this, coal and natural gas remain the two biggest contributors of power supply last year contributing 58,176 GWh or 57% and 19,497 GWh or 19%, respectively.

Figure 11: 2020 Power Consumption and Power Generation



The country's power generation and sales both suffered the consequences of the pandemic, decreasing by 4.04% and 4.45%, respectively. This decline brings the CAGR of both power generation and sales to 4.6% from 2009-2020. In terms of power generation by region, both Luzon and Visayas contracted by 4.93% and 3.58%, respectively, while Mindanao slightly increased by 0.34% in 2020. Even though it suffered a decline last year, the Luzon grid remains the biggest contributor in power generation at 71%, followed by Visayas at 15%, and Mindanao at 14%. On the other hand, the country's installed capacity grew by 2.82% from 25,531 MW in 2019 to 26.250 MW in 2020 representing a CAGR of 4.8% from 2009-2020.

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[22]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_f.%202003-2020%20ESales%20and%20Consumption%20per%20Grid%2C%20by%20Sector%20%28protected%29.xlsx

[23]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_c.%202003-2020%20Gross%20Generation%20per%20Grid%2C%20by%20Plant%20Type%20%28protected%29.xlsx

Figure 12: 2019-2020 Power Generation and Sales, GWh

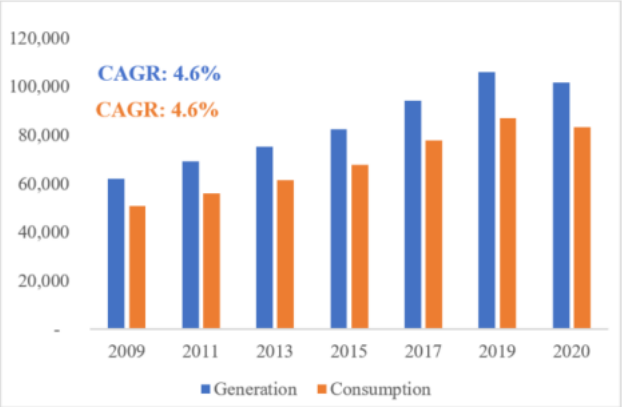


Figure 13– 2009 - 2020 Power Generation by Region, GWh

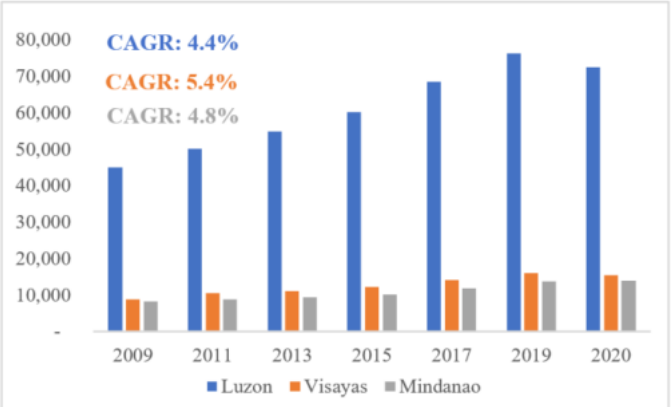


Figure 14: 2020 Generation, GWh

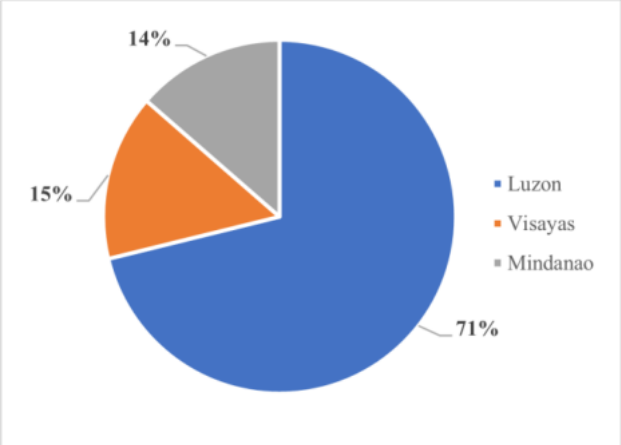


Figure 15– 2009 – 2020s Installed Capacity, MW



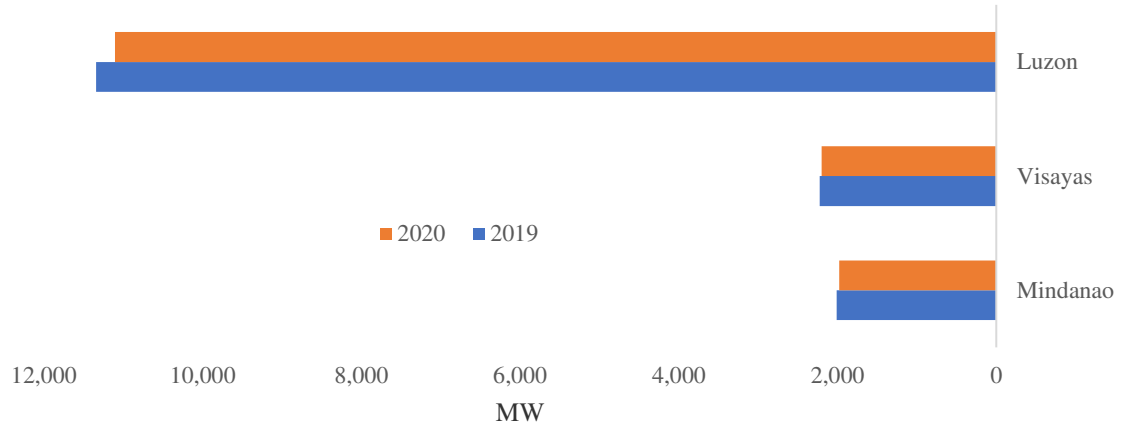
Power Demand

The country's total peak demand (non-coincidental peak demand) in 2020 was recorded at 15,282 MW, which is 1.9% lower than year 2019's 15,581 MW. Luzon contributed 11,103 MW or 72.65% of the total peak demand while Visayas and Mindanao recorded 2,201 MW (14.40%) and 1,978 MW (12.94%), respectively.[24] The pandemic greatly affected the country's total electricity sales and consumption resulting in a decrease by 4.04% reaching 101,756 GWh from 106,041 GWh in 2019. Among the notable sectors, 33.70% or 34,292 GWh was contributed by Residential, followed by the Industrial sector reaching 25,566 GWh or 25.13%, and lastly by Commercial having 20.37% share or 20,727 GWh.[25]

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[24]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_g.%202001-2020%20Annual%20System%20Peak%20Demand%20%20%28protected%29.xlsx
[25]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_f.%202003-2020%20ESales%20and%20Consumption%20per%20Grid%2C%20by%20Sector%20%28protected%29.xlsx

Figure 16: 2019 vs 2020 Peak Demand per Grid (in MW)



Power Supply

Despite of the results of the pandemic, the Philippines' total installed capacity still increased by 2.82% from 25,531 MW in 2019 to 26,250 MW in 2020. A total of 719 MW was added from the earlier year which include coal with an additional 527 MW, solar with a new 98 MW capacity, followed by biomass with 84 MW, hydro with 19 MW, and wind by 16 MW. In terms of share by grid, Luzon commissioned an additional 554 MW or 76.9% of the total additional installed capacity for 2020, while Visayas and Mindanao contributed an additional 54 MW (7.5%) and 112 MW (15.6%), respectively.[26]

Table 22: Operational Power Plants per Fuel Type, Philippines (MW)

Fuel Type	Installed Capacity		Dependable Capacity	
	2019	2020	2019	2020
Coal	**10,417**	**10,944**	**9,743**	**10,245**
Oil-based	**4,262**	**4,237**	**3,015**	**3,054**
Natural Gas	**3,453**	**3,453**	**3,286**	**3,286**
Renewable Energy (RE)	**7,399**	**7,617**	**6,691**	**6,825**
Geothermal	*1,928*	*1,928*	*1,792*	*1,753*
Hydro	*3,760*	*3,779*	*3,508*	*3,527*
Biomass	*363*	*447*	*227*	*285*
Solar	*921*	*1,019*	*737*	*817*
Wind	*427*	*443*	*427*	*443*
Total	**25,531**	**26,250**	**22,736**	**23,410**
BESS	*11*	*11*	*11*	*11*

Differences in numbers are due to rounding off.

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[26]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_b.%202003-2020%20Installed%20and%20Dependable%20Capacity%20per%20grid%2C%20by%20Plant%20Type%20%28protected%29.xlsx

Similar with the previous years, coal still dominated the power mix in 2020 reaching 57.17% share, an increase from its 2019 share of 54.59%. Renewable energy's share also increased from 20.79% in 2019 to 21.24% in 2020 even though its generation decreased by 435 GWh from 2019. The increase in both coal and renewable energy's share was mainly due to the decrease of the generation from natural gas from 22,354 GWh in 2019 to 19,497 GWh in 2020 as well as from oil-based plants reaching 2.43% share last year compared to year 2019's 3.54%.[27]

Table 23: Gross Power Generation by Plant Type, Philippines (MWh)				
Fuel Type	**2019**	**2020**	**%–Share – 2019**	**% Share – 2020**
Coal	**57,890,429**	**58,176,002**	**54.59%**	**57.17%**
Oil-based	**3,752,302**	**2,473,888**	**3.54%**	**2.43%**
Combined Cycle	*728,239*	*494,880*	*0.69%*	*0.49%*
Diesel	*2,814,582*	*1,967,013*	*2.65%*	*1.93%*
Gas Turbine	*25,605*	*10,684*	*0.02%*	*0.01%*
Oil Thermal	*183,876*	*1,310*	*0.17%*	*0.00%*
Natural Gas	**22,354,378**	**19,496,927**	**21.08%**	**19.16%**
Renewable Energy (RE)	**22,044,380**	**21,608,904**	**20.79%**	**21.24%**
Geothermal	*10,690,804*	*10,756,815*	*10.08%*	*10.57%*
Hydro	*8,025,492*	*7,192,019*	*7.57%*	*7.07%*
Biomass	*1,040,343*	*1,261,016*	*0.98%*	*1.24%*
Solar	*1,246,082*	*1,372,604*	*1.18%*	*1.35%*
Wind	*1,041,660*	*1,026,450*	*0.98%*	*1.01%*
Total	**106,041,488**	**101,755,720**	**100.00%**	**100,00%**

Differences in numbers are due to rounding off.

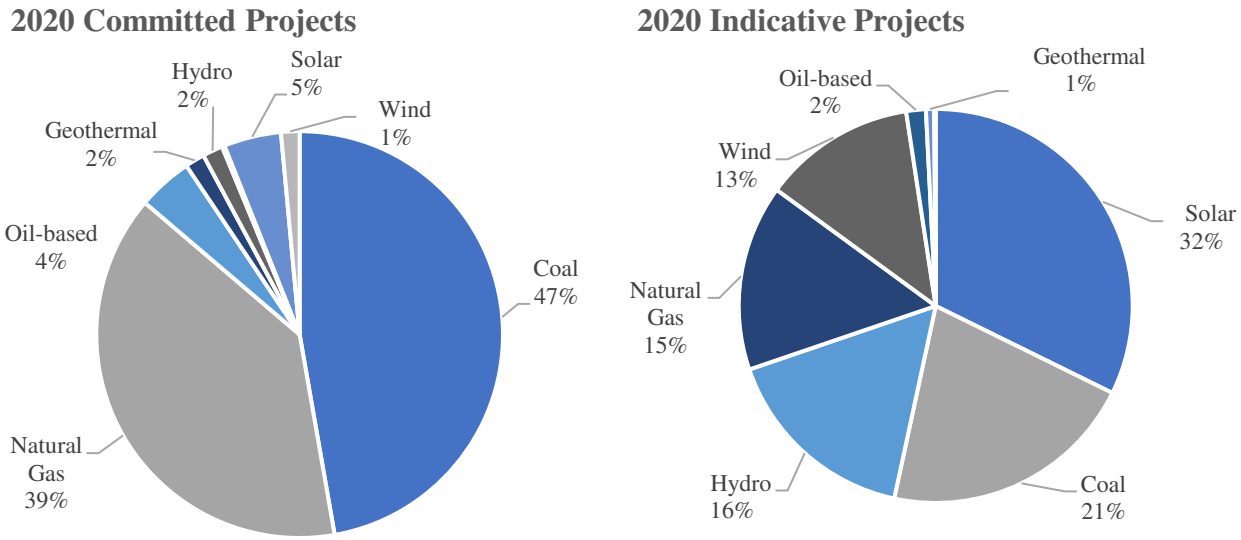
As of 31 December 2020, the country's total committed power projects reached 8,977.1 MW, a notable increase from 2019's 5,767 MW. Luzon is the biggest contributor of committed projects with 8,343.7 MW or 92.94%, while Visayas and Mindanao plan to contribute 281.1 MW (3.13%) and 352.3 MW (3.92%), respectively. Among the different fuel types, about 47.24% of the total committed capacity is from coal power plants, 38.99% from natural-gas plants, and 9.40% from renewable energy projects. On the other hand, the country's indicative power projects as of the end of 2020 reached 33,398.6 MW, with renewable energy dominating the mix with 62.02% share. About 32.28% or 10,781.2 MW of the total indicative projects are from solar energy projects, followed by coal with 7,048 MW (21.10%), and hydro with 5,473.8 MW (16.39%).[28]

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[27]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_c.%202003-2020%20Gross%20Generation%20per%20Grid%2C%20by%20Plant%20Type%20%28protected%29.xlsx

[28]www.doe.gov.ph/private-sector-initiated-power-projects?ckattempt=1

Figure 17: 2020 Committed and Indicative Power Projects, Philippines



Electrical Sales and Consumption[29]

Luzon's electricity sales and consumption contracted by 5.38% from 77,687 GWh in 2019 to 73,504 GWh in 2020, opposite to year 2019's growth of 5.7%. Despite the increase of electricity sales in the Residential sector by 12.54% due to mandatory lockdowns which started in March 2020, commercial and industrial sectors took a major hit experiencing 18.82% and 11.74% decrease, respectively. Despite being the most affected by the impact of the pandemic, the Luzon grid remains the biggest contributor to the country's electrical sales and consumption at 72.24%

Similar with the Luzon grid, the Visayas grid also experienced a decrease in its electricity sales and consumption by 1.03% reaching 14,399 GWh in 2020 compared to 14,549 GWh of 2019. The Residential sector recorded 4,630 GWh of electricity sales boosting the 2020 growth to 10.29% from 8.66% in 2019. On the other hand, the Commercial sector contracted by 22.66% reaching a total of 1,459 GWh last year from 1,887 GWh in 2019. The Industrial sector is the least affected sector in the Visayas grid that was hit by the pandemic contracting by only 1.06%.

The Mindanao grid is the only grid that did not experience a decrease in its total electricity sales and consumption growing by 0.34% from 13,805 GWh in 2019 to 13,852 GWh in 2020. The Residential sector recorded 4,669 GWh in 2020 from 4,146 GWh in 2019 increasing by 12.61%, while its Commercial and Industrial sectors contracted by 11.76% and 6.85%, respectively. The rise of Mindanao grid's electricity consumption was also due to the increase of the utilities' own use boosting by 21.07%.

[29]www.doe.gov.ph/sites/default/files/pdf/energy_statistics/DOE%202020%20Power%20Statistics_as%20of%2028%20April%202021_f.%202003-2020%20ESales%20and%20Consumption%20per%20Grid%2C%20by%20Sector%20%28protected%29.xlsx

Table 24: Electricity Sales and Consumption per Grid, by Sector (MWh)								
Sector	**Luzon**	**Luzon % share**	**Visayas**	**Visayas % share**	**Mindanao**	**Mindanao % share**	**Total**	**Total % share**
Residential	*24,992,520*	*34.00%*	*4,629,883*	*32.15%*	*4,669,182*	*33.71%*	*34,291,585*	*33.70%*
Commercial	*17,787,676*	*24.20%*	*1,459,399*	*10.14%*	*1,480,028*	*10.68%*	*20,727,103*	*20.37%*
Industrial	*17,161,923*	*23.35%*	*4,335,541*	*30.11%*	*4,068,863*	*29.37%*	*25,566,327*	*25.13%*
Others	*1,170,022*	*1.59%*	*915,274*	*6.36%*	*572,471*	*4.13%*	*2,657,768*	*2.61%*
Electricity Sales	61,112,142	83.14%	11,340,097	78.76%	10,790,544	77.90%	83,242,783	81.81%
Own-Use	5,753,871	7.83%	1,703,096	11.83%	1,314,249	9.49%	8,771,216	8.62%
System Loss	6,638,437	9.03%	1,356,008	9.42%	1,747,276	12.61%	9,741,721	9.57%
Electricity Consumption	**73,504,340**	**100.00%**	**14,399,201**	**100.00%**	**13,852,069**	**100.00%**	**101,755,720**	**100.00%**

Outlook[30]

The Philippine Energy Plan ("**PEP**") 2020-2040 is the DOE's blueprint to secure the country's energy future. The PEP sectoral roadmaps intend to:

a. Accelerate RE positioning through medium-term activities such as: (i) implementation support for the Competitive Renewable Energy Zones (CREZ) project; (ii) roll-out of Enhanced Net Metering Program (NMP) in Off-Grid areas; (iii) implementation of Green Energy Auction Program (GEAP); (iv) roll-out of Green Energy Option Program (GEOP); (v) crafting of policy on RE Contingency Supply Augmentation Program (Rooftop Solar Program); and (vi) study on Off-Shore Wind Development;
b. Create a conductive business environment by improving the regulatory procedures and compliance with the Energy Virtual One-Stop Shop (EVOSS) Act, Ease of Doing Business (EODB) Act of 2018, Executive Order 30, Administrative Order 23, and Energy Application Management System (EAMS);
c. Establish a reliable and efficient infrastructure; and
d. Promote and enhance research, design, and development agenda.

DOE forecasted that renewable energy installed capacity will reach 29,631 MW by 2030, a significant increase from the 2020 actual values of 7,617 MW. Among all the renewable energy sources, solar energy is expected to achieve the biggest jump in installed capacity reaching 19,658 MW by 2030 and increasing up to 32,590 MW by 2040.

The following table shows the Installed Capacity Forecasts from 2020 to 2040.

Table 25: Installed Capacity Forecast: 2020-2040			
Sector	**Installed Capacity (MW)**		
	As of 2020 (actual)	**2030**	**2040**
Geothermal	1,928	2,328	2,408
Hydro	3,779	5,776	15,426
Biomass	447	663	753
Wind	443	1,215	2,027
Solar	1,019	19,658	32,590
Total RE	**7,617**	**29,631**	**53,205**

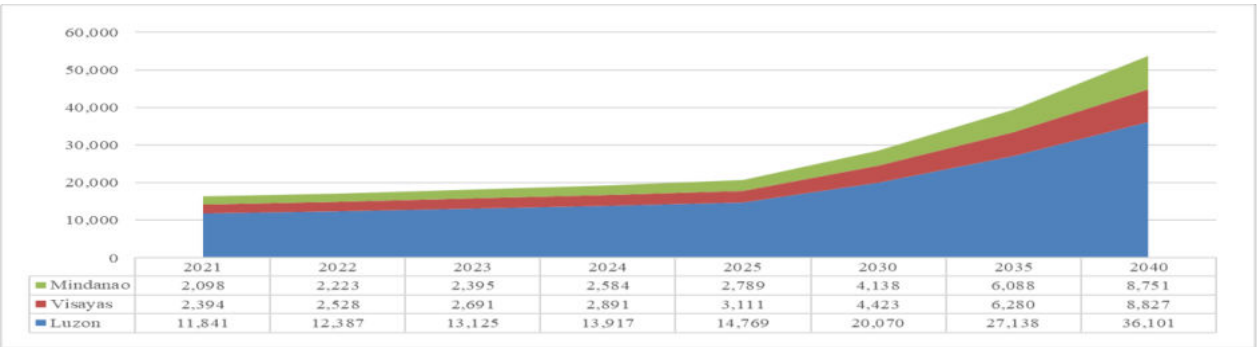
Based on the National Renewable Energy Program 2020-2040, the DOE plans to reach at least 35% share of the total generation mix by 2030 and 50% energy share by 2040.

[30]www.doe.gov.ph/sites/default/files/pdf/pep/PEP_2020-2040_signed_01102022.pdf

Projected Aggregate Demand per Grid

According to the 2022-2040 Transmission Development Plan (TDP) Consultation Draft Report, the NGCP forecasts that the power demand of the country is expected to grow at an AACGR of 6.06% for the period 2022-2025, 6.73% for 2026-2030, and 6.49% for 2031-2040. It projects that Mindanao will have the highest average AACGR compared to the other grids. Mindanao is forecasted to reach an AACGR of 7.81% from 2022-2040, while Luzon and Visayas grids at 6.04% and 7.11%, respectively. Thus, the aggregate demands are expected to reach 36,101 MW, 8,827 MW, and 8.751 MW in Luzon, Visayas, and Mindanao, respectively, by 2040.

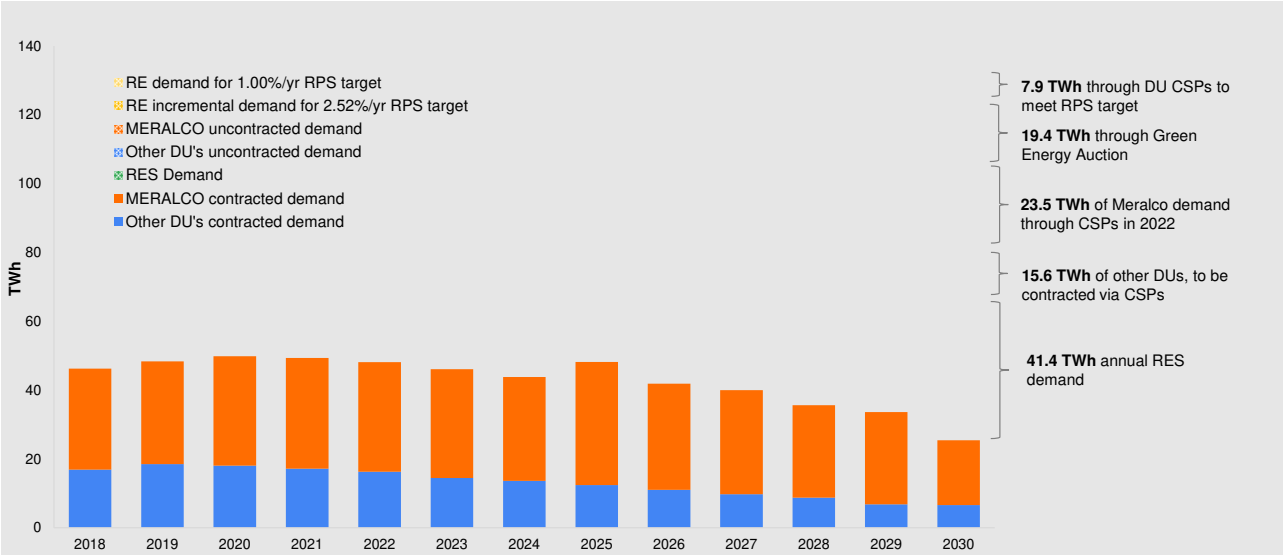
Figure 18: Projected Aggregate Demand per Grid 2022-2040 (MW)[31]



	2021	2022	2023	2024	2025	2030	2035	2040
Mindanao	2,098	2,223	2,395	2,584	2,789	4,138	6,088	8,751
Visayas	2,394	2,528	2,691	2,891	3,111	4,423	6,280	8,827
Luzon	11,841	12,387	13,125	13,917	14,769	20,070	27,138	36,101

In terms of energy volume, the annual demand according to the projected aggregate demand DUs published by the DOE will increase by over 50% by 2030 from 2020. This future demand represents over 100 TWh of contracting opportunity, driven by DU contracting covering expiring contracts and new demand, RES re-contracting, and the government's Renewable Portfolio Standards program in place to achieve its 35% Renewable Energy target by 2030 (as outlined in the Philippine Energy Plan 2020 – 2040.[32]

Figure 19: Philippine Annual Energy Demand (TWh), with DOE target of 35% RE



[31]www.ngcp.ph/Attachment-Uploads/Transmission%20Development%20Plan%202022-2040%20Consultation%20Draft_Web_Final-2022-03-04-10-02-48.pdf
[32]www.doe.gov.ph/sites/default/files/pdf/pep/pep_2020-2040_signed.pdf

Energy Related Laws, Rules, and Regulations

Electric Power Industry Reform Act of 2001

The EPIRA established a framework for the organization and operation of the electric power industry in connection with its restructuring, with the industry divided into four sectors: generation, transmission, distribution, and supply. The structural reforms resulted among others in the creation of PSALM and TransCo.

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Through the EPIRA, the Philippine government began to institute major reforms with the goal of fully privatizing all aspects of the power industry. The major aspects of the reforms include the (a) restructuring of the entire power industry to introduce competition in the generation sector, (b) change from government to private ownership, and (c) introduction of a stable regulatory framework for the electricity sector.

With a view to implementing the EPIRA's objectives, the DOE, in consultation with the relevant government agencies, electric power industry participants, non-government organizations and electricity consumers, promulgated the Implementing Rules and Regulations of the EPIRA (the "**EPIRA IRR**") on 27 February 2002.

The EPIRA IRR governs the relations and respective responsibilities among the different electric power industry participants as well as the respective regulatory authorities involved in implementing the structural reforms in the industry, namely the DOE, NPC, National Electrification Administration, ERC, and PSALM.

The Renewable Energy Act of 2008 and its Implementing Rules and Regulations

RA No. 9513, or the Renewable Energy Act of 2008, provides that it is the policy of the State to increase the development and utilization of RE resources such as, but not limited to, biomass, solar, wind, hydro, geothermal, and ocean energy sources, including hybrid systems, and to establish the necessary infrastructure and mechanism to carry this out. The DOE is the lead agency mandated to implement the Renewable Energy Act of 2008,[33] in conjunction with the NREB.

A DOE Certificate of Registration is issued to RE Developers holding valid RE Service or Operating Contracts[34] upon application with the DOE. A DOE Certification shall be issued immediately upon the award of an RE Service/Operating Contract. Similarly, existing RE projects must be covered by a new RE Service/Operating Contract, pre-terminating and replacing any existing service contract with the DOE.[35]

The Renewable Energy Act of 2008 provides numerous incentives to RE developers, such as tax holidays, import duty exemptions, and special tax rates, among others. In order to qualify for these incentives, the RE developer must secure a Certificate of Endorsement from the DOE-– Renewable Energy Management Bureau ("**REMB**") for every applicable transaction.

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[33] Section 5, Chapter II, R. A. 9513.

[34] The service agreement between the Government, through the President or the DOE, and an RE Developer over an appropriate period as determined by the DOE in which the RE Developer has the exclusive right to explore and develop a particular RE area. See discussion on Renewable Energy Service/Operating Contracts, p. 110.

[35] Section 18(A), Rule II, Part II, Rules and Regulations Implementing Republic Act No. 9513.

Wholesale Electricity Spot Market Rules

The WESM Rules establishes the basic rules, requirements, and procedures that govern the operation of the Philippine electricity market. The WESM Rules identifies, recognizes, and sets the responsibilities of the Market Operator, System Operator, WESM Participants, and the Philippine Electricity Market Corporation (PEM) Board. These groups shall comply with and are bound by all the provisions of the WESM Rules. The WESM Rules are intended to be complimentary with the Grid Code and Distribution Code, all of which are meant to ensure the development of an appropriate, equitable and transparent electricity market, along with a safe, reliable, and efficient operation of the power system.

Under the WESM, RE developers are classified as a must-dispatch generating unit,[36] which grants them specific preferences as to the dispatch output and restrictions. These preferences are granted to intermittent RE-based generation plants such as wind, solar, run-of-river hydro or ocean energy owing to the fact that they are not dependent on a base supply of electricity but on the availability of the energy source.

Competitive Selection Process

In 2015, the ERC issued Resolution No. 13, Series of 2015 ensuring transparency in the DUs' power supply procurement and providing opportunities for DUs to get the best price offers and other contractual terms. The resolution states that a PSA shall only be awarded to the winning generation company following a successful transparent Competitive Selection Process. A CSP is successful if the DU receives at least two qualified bids from entities with which the DU is not prohibited from entering into a contract for power supply, as provided under the EPIRA IRR. After two failed CSPs, a direct negotiation with interested party may be made by the DU. A CSP is considered failed when during its conduct, any of the following circumstances exist: (a) no proposal was received by the DU; (b) only one supplier submitted an offer; and (c) competitive offers of prospective suppliers failed to meet the requirements prescribed under the Terms of Reference, as determined by the DU Bids and Awards Committee.

The following instances, when present, shall warrant a Certificate of Exemption from the DOE on the conduct of CSP:

a. Any generation project owned by the DU funded by grants or donations. The DU may be allowed to infuse internally generated funds; provided, that the amount shared by the DU shall not exceed 30% of the total project cost; provided further, that taxes to be paid by the DU shall not be included in the total project cost.
b. Negotiated procurement of emergency power supply; provided, that the cooperation period of the corresponding power supply agreement shall not exceed one year; provided further that the rate shall not be higher than the latest ERC approved generation tariff for same or similar technology in the area;
c. Provision of power supply by any mandated Government Owned and Controlled Corporation for off-grid areas prior to, and until the entry of New Power Providers (NPP) in an area; and
d. Provision of power supply by the PSALM through bilateral contracts for the power produced from the undisposed generating assets and Independent Power Producer (IPP) contracts duly sanctioned by the EPIRA as deemed by the DUs, subject to a periodic review by the DOE.[37]

[36] Section 17 (F), Rules and Regulations Implementing Republic Act No. 9513.
[37] Section 2.2, DOE Department Circular No. 2018-02-0003 "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market"

Non-compliance with the prescribed rules on the conduct of CSP may result in administrative fines and penalties under the EPIRA and other relevant issuances.

Renewable Portfolio Standards

The DOE has published the Department Circular No. DC 2017-12-0015 on 22 December 2017, which pertains to "Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the RPS. The Renewable Portfolio Standards (RPS) mandates industry participants (DUs, retail suppliers) to have a specified portion of their energy requirements sourced from renewables.[38]

- 2020 will be the first year of implementation where industry participants shall have at least 1% of their energy requirements sourced from renewables.
- Requirements to increase at an initial annual rate of at least 1%, which can be adjusted by the DOE if deemed necessary. As of February 2021, the NREB has confirmed that it recommended an increase of the minimum annual rate from 1.0% to 2.5%.[39]
- Aspirational target of having 35% of power generation sourced from renewable energy by 2030.

Penalties for noncompliance include monetary fines and revocation of participants' license, franchise, or authority to operate.

RPS has indirectly driven demand for renewable capacities by mandating that industry participants have a minimum portion of their energy requirements being sourced from renewables. Given that only power plants built (or capacities added) from 2008 are considered eligible renewable energy facilities under RES, there is additional demand for greenfield renewable capacities.

RE Auction

Under the DOE's GEAP, qualified renewable energy developers can offer to supply a specified volume of electricity generated from their facilities. The suppliers are chosen through a competitive process or auction. In turn, eligible customers enjoy electricity prices below market values. In July 2020, the DOE issued a circular detailing the guidelines governing the Green Energy Auction, helping power providers comply with their commitment under the RPS program, a market-based policy that requires distribution utilities to source an agreed portion of their supply from eligible RE facilities. In January 2022, the DOE released the Notice of Auction for the 2,000 MW renewable energy capacity under the GEAP. In the first round, 1,400 MW were auctioned in the Luzon Grid, 400 MW in the Visayas Grid, and 200 MW in the Mindanao Grid.[40]

In June 2022, the DOE released the results of the GEAP, in which the Solar Philippines Group won 70% of all the auction's renewable energy capacity (1380 MW out of 1967 MW) and 91% of all the solar capacity (1350 MW out of 1490 MW). Part of this is to be sourced from the first 500 MW being developed by SPNEC, with the rest planned to be sourced from projects under entities that would be owned by SPNEC after the Share Swap. These include projects with a total

[38] www.doe.gov.ph/sites/default/files/pdf/issuances/dc2017-12-0015_1.pdf
[39] www.bworldonline.com/nreb-confirms-higher-quota-for-contracted-re-power/
[40] www.doe.gov.ph/geap/

1.8 GW planned capacity: the Tarlac-2400 MW Solar Farm; the Quezon 800 MW Solar Farm; the Leyte 400 MW Solar Farm; and the GenSan 200 MW Solar Farm. Under the DOE's terms of reference, bid capacities refer to net export and not plant gross capacities.

Retail Competition Open Access

The establishment of RCOA is mandated by the EPIRA. RCOA provides power suppliers access to transact directly with any customer designated by the ERC as contestable. RCOA also gives Contestable Customers ("**Contestable Customers**") the flexibility to choose their electricity suppliers.

The ERC recently expands the RCOA's coverage to end-users with an average monthly peak demand of at least 500 kilowatts (kW) for the last 12 months on a voluntary basis. Based on the said threshold, all qualified end-users can be considered as contestable customers under the Phase III threshold level (500kW-749kW) and will be allowed to switch to the Competitive Retail Electricity Market (CREM) beginning 26 February 2021.[41]

Renewable Energy Safety, Health, and Environment Rules and Regulations

Pursuant to the enactment of the Renewable Energy Act of 2008, the DOE issued Circular No. DC-2012-11-0009, or the Renewable Energy Safety, Health, and Environment Rules and Regulations of 2012 (RESHERR), which outlines the pertinent rules and regulations applicable to all RE Employers, Employees, Contractors, and other entities engaged in RE Operations in the Philippines. The RESHERR covers all activities related to exploration, development, and utilization of RE resources and manufacturing, fabrication, and suppliers of locally produced RE machineries, equipment, components, and parts.

Under the RESHERR, all RE Facilities are required, upon commencement of its operations, to organize a Safety, Health, and Environment Committee (SHEC), the minimum composition of which shall be determined based on the number of workers of the facility.[42] Similarly, all persons employed in the practice of occupational safety in the RE industry are required to be duly qualified and accredited by the REMB.[43] In addition, the RESHERR likewise establishes minimum occupational safety and health requirements for RE facilities. Non-compliance with the provisions of the RESHERR may result in fines and/or suspensions of operations.

Rules and Regulations for Renewable Energy Service Contracts

DOE Department Circular No. 2019-10-0013 (DC 2019-10-0013) provides for the guidelines and procedures governing the award and administration of renewable energy contracts and the registration of renewable energy developers. An RE Contract refers to the service agreement between the government, through the DOE or the President, and an RE Developer over an appropriate period as determined by the DOE which grants to the RE Developer the exclusive right to explore, develop, or utilize the RE Resource within a particular area. RE Contracts may be awarded through (a) an Open and Competitive Selection Process ("**OCSP**"), or (b) Direct Application. The OCSP shall be adopted for the selection and award of RE Service Contracts for

[41] http://powerphilippines.com/erc-officially-expands-rcoa-implementation/

[42] Rule 3, Section 12 of the RESHERR provides that in every Workplace with less than one hundred (100) workers, the Manager of the workplace shall be chairman, while the Committee shall be composed of one Foreman/Supervisor, three workers, one Nurse/First-aider, one Environmental Officer, one Contractor Safety Officer (if applicable). The Safety Officer of the workplace shall act as Secretary. In case there are more than one hundred (100) workers in a Workplace, the committee shall be composed similarly, but must have four workers minimum instead of three.

[43] Rule 3, Section 13, RESHERR.

Pre-Determined Areas[44] covering any type of resource for commercial purposes, while Direct Application shall be available for the selection and award of: (x) RE Operating Contracts, (y) RE Service Contracts covering Pre-Determined Areas, following a failed OCSP, and (z) RE Service Contract in an area identified by a RE Applicant and verified with or confirmed by the DOE-Information Technology and Management Services as available for exploration, development and/or utilization of the proposed RE Resource.

RE Service Contracts refer to service agreements between the Philippine government, through the President or the DOE Secretary, and RE Developer, covering an appropriate period as stated therein, in which the RE Developer shall have the exclusive right to explore, develop and utilize geothermal, hydropower, wind, ocean and other RE Resources within a particular area. In 2019, the DOE issued Department Circular DC2019-10-0013, which required Solar Energy Operating Contracts in lieu of RE Service Contracts. A Solar Energy Operating Contract refers to "the RE Contract issued for the development and operation of RE Projects utilizing solar energy as RE Resource." Having been issued in 2017, the SESC for the Project is governed by the rules provided in DC 2019-10-0013 and its amendments. Should the Company apply for new RE Contracts in the future, the relevant contract would be Solar Energy Operating Contract which would be governed by Department Circular DC 2019-10-0013.

The stages of an RE Service Contract are the following:

a. Pre-Development Stage which involves the conduct of preliminary assessment and feasibility study up to Financial Closing and Declaration of Commerciality of the RE Project, including the identification of the proposed Production Area; and
b. Development/Commercial Stage which involves the development, construction, commercial operation of the RE Project, and production and utilization of RE Resources.

The RE Service Contract shall transition from the Pre-Development Stage to the Development/ Commercial Stage only after the issuance by the DOE of a Certificate of Confirmation of Commerciality.

RE Operating Contracts refer to service agreements between the DOE and RE Developer for the development and/or utilization of biomass, solar and other RE Resources which, due to their inherent technical characteristics, need not go through Pre-Development Stage. As such, the stages of an RE Operating Contract cover only the Development/Commercial Stage, which involves the development, construction and installation and commercial operation of the RE Project, including the achievement of Financial Closing.

All assignment of RE Contracts shall be subject to prior written approval of the DOE. An assignment to a non-affiliate, whether full or partial, may be allowed only once during: (a) the entire period of the Pre-Development Stage of the RE Service Contract; or (b) the entire term of the RE Operating Contract. An assignment shall not be allowed to a non-affiliate during the first two years of the RE Contract from its effectivity.

Holders of contracts/agreements prior to the effectivity of DC 2019-10-0013 may apply for conversion to the new RE Contract templates, provided that such holders are fully compliant with the terms of the approved Work Program/Work Plan and the material terms and conditions of the contract/agreement for the past six months prior to the date of filing its application for conversion.

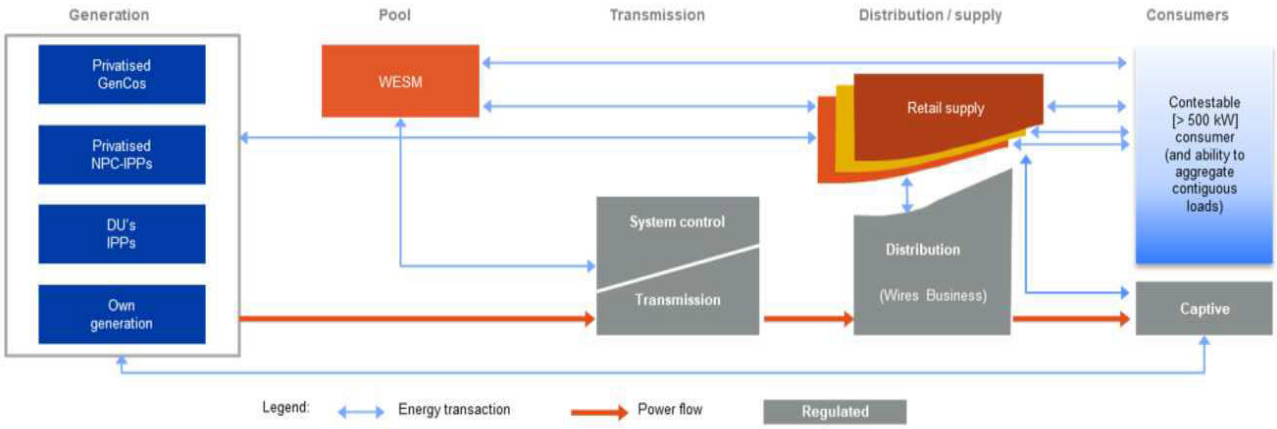
[44] Pre-Determined Areas refer to areas with RE Resource potential through sufficient available technical data as may be determined by the REMB and approved by the DOE Secretary for inclusion in the OCSP.

For RE Developers with RE Contracts executed less than six months from date of application for conversion, the evaluation of compliance with commitments under the approved Work Program and of the material terms and conditions of the RE Contract shall be the basis of their performance.

A Certificate of Registration with the DOE is required for RE Developers to avail of the incentives under the Renewable Energy Act. The Certificate of Registration shall have an initial validity period of five years, renewable for the same period until the end-of-project life is reached, in no case to exceed 25 years.

Market Structure

Figure 20: Energy Market Structure



Below is an overview of the market participants in the Philippine power market:

- Generation companies own and operate power plants. Privately-owned generation companies co-exist with government-owned power plants and compete in supply of energy through bilateral contracts and/or WESM.
- RESs engage in the supply of electricity to end-users in the Contestable Market after securing a license from the ERC.
- DUs own and operate distribution networks as a regulated natural monopoly.
- All transmission assets in Philippines are owned by the Government through the TransCo as a regulated natural monopoly. The transmission systems are operated by the NGCP through a 25-year O&M concession agreement.
- The final customers consist of the following:
  - Directly Connected Customers (DCCs or Bulk customers connected to the transmission grid) and/or Contestable Customers are those who participate in the WESM and can voluntarily engage in bilateral contracting.
  - Captive customers are electricity end-users who do not have choice of a supplier of electricity (mostly households and small businesses connected to distribution networks).

The entities that govern the Philippine power market are the following:

- The DOE is the government agency in charge of planning and policy making for the electricity sector. In addition to its existing powers and functions, the EPIRA mandated the DOE to supervise the restructuring of the electricity industry. In particular, the DOE is mandated by the

EPIRA to "organize and establish the appropriate market design and governance structure of the WESM".

- The ERC regulates natural monopolies (distribution and transmission wires business), issues generation and supply licenses, oversees competition in the power market (including penalization of market power abuse), and enforces the IRR of the EPIRA. Specific the ERC's tasks related to power markets include the following:
  - Approve the Price Determination Methodology for the WESM;
  - Promulgate and enforce the Grid Code and Distribution Code;
  - Promulgate and implement Rules for Setting Transmission Wheeling Rates and Distribution Wheeling Rates; and
  - Promulgate the following rules:
    - Open Access Transmission Service Rules;
    - Distribution Services and Open Access Rules;
    - Rules for the Issuance of Licenses to Retail Electricity Suppliers;
    - Code of Conduct for Competitive Retail Market Participants;
    - Rules for Contestability;
    - Rules for Customer Switching;
    - Rules for the Supplier of Last Resort (SOLR); and
    - Competition Rules and Complaint Procedures.
- The system operators (SO) under the NGCP; and
- The market operator (MO) under Independent Electricity Market Operator of the Philippines (IEMOP).[45]

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[45] https://documents1.worldbank.org/curated/en/428331548771494859/pdf/WPS8721.pdf

MARKET INFORMATION

Stock Information

As of 19 August 2022, the Company's ACS is ₱1,000,000,000.00, divided into 10,000,000,000 Common Shares with a par value of ₱0.10 per share, of which 8,124,350,005 Common Shares are issued and outstanding. The Company is offering for subscription 1,875,649,995 Rights Offer to be issued out of the existing unissued portion of the ACS. Immediately after the completion of the Offer, the issued Rights Shares will constitute 18.76% of the Company's outstanding capital stock.

Shareholders' pre-emptive rights are waived in the Company's Articles of Incorporation. No stockholder shall have a right to purchase or subscribe for any additional share of the capital stock of the Company, whether such shares of capital stock are now or hereafter authorized, whether or not such stock is convertible into or exchangeable for any stock of the Company or of any other class, and whether out of the number of shares authorized by the Articles of Incorporation of the Company as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Company acquired by it after the issue thereof; nor shall any holder of any such stock of any class, as such holder, have any right to purchase or subscribe for any obligation which the Company may issue or sell that shall be convertible into, or exchangeable for, any shares of the capital stock of any class of the Company or to which shall be attached or appertain any warrant or warrants or any instrument or instruments that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe for, or to purchase from the Company, any shares of its capital stock of any class.

The Board of Directors may, from time to time, grant stock options, issue warrants or enter into stock purchase reciprocal investments, private placements, joint ventures, or similar agreements for purposes necessary or desirable for the Company and allocate, issue, sell or otherwise transfer, convey or dispose of shares of stock of the Company of a class or classes and to such persons or entities to be determined by the Board, including, but not limited, to employees, officers, and directors of the Company.

Further, the Company cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership.

Market Information

The Company listed its shares on the PSE on 17 December 2021.

As of 19 August 2022, the Company has 8,124,350,005 issued and outstanding common shares listed shares on the PSE.

The following table presents the summary of the high and low closing trading prices of the Company's Common Shares as reported on the PSE in each of the quarterly periods from 2021 to present.

Table 26: Market Price of Company Shares on the PSE				
	2021		2022	
	High	Low	High	Low
Q1	-	-	₱2.34	₱1.17
Q2	-	-	₱1.94	₱1.46
Q3	-	-	-	-
Q4	₱1.50	₱0.76	-	-

As of 23 August 2022, the shares of the Company are being traded on the PSE at a price of ₱1.67 per share.

Shareholders

As of 19 August 2022, the Company has 18 shareholders owning Common Shares of the Company. The Company's shareholders, their respective number of shares held, and the corresponding percentage of these shares out of the total Common Shares outstanding as of 19 August 2022 are as follows:

Table 27: Ownership Structure as of 19 August 2022[46]		
Name of Shareholder	Number of Subscribed Common Shares Pre-Offer	Percentage Total of Shareholding Pre-Offer
Solar Philippines Power Project Holdings, Inc.	5,424,349,998	66.77%
PCD Nominee Corporation - Filipino	2,662,279,631	32.77%
PCD Nominee Corporation - Non-Filipino	37,131,370	0.46%
Jose Ivan T. Justiniano or Ma. Jema V. Justiniano	200,000	-nil-
Johanna Theresa Austria Cid	100,000	-nil-
Myra P. Villanueva	100,000	-nil-
Myrna P. Villanueva	50,000	-nil-
Milagros P. Villanueva	50,000	-nil-
Elvira M. Cruz or Bernardo A. Cruz	50,000	-nil-
Marietta V. Cabreza	25,000	-nil-
Josemaria Gabriel D. Fadri	5,000	-nil-
Ofelia R. Blanco	5,000	-nil-
Jennifer T. Ramos	4,000	-nil-
J. Carlitos G. Cruz	1	-nil-
Benjamin I. Espiritu	1	-nil-
Carlos Jose P. Gatmaitan	1	-nil-
Aresty M. Lapitan	1	-nil-
Gino Antonio C. Cruz	1	-nil-
Leandro Antonio L. Leviste	1	-nil-
Total	**8,124,350,005**	**100.00%**

Please refer to section "Security Ownership of Certain Record and Beneficial Shareholders" on page 139 of this Prospectus for a detailed discussion on the beneficial ownership of the Company's common shares.

Recent Sales of Exempt Securities and Unregistered Securities

On 24 February 2021 and 1 March 2021, the Company received Two Hundred Forty-Nine Million Seven Hundred Fifty Thousand Pesos (₱249,750,000.00) and Eighteen Million Six Hundred Eighty-

[46] This assumes that the Rights Offer will completely be subscribed by the minority shareholders on a pro-rata basis and that no portion will be subscribed by the Principal Shareholder. Figures are based on the Certified List of Certificated Stockholders from the Company's Stock Transfer Agent.

Five Thousand Pesos (₱18,685,000) from SPPPHI as deposit for future subscription in Two Billion Six Hundred Eighty-Four Million Three Hundred Fifty Thousand (2,684,350,000) common shares of the Company.

Subsequently, in April and May 2021, the Company received additional subscription from SPPPHI totaling Two Hundred Seventy-Three Million Pesos (₱273,000,000.00) for Two Billion Seven Hundred Thirty Million (2,730,000,000) common shares of the Company.

These shares were issued on 25 May 2021, the date of the approval of the SEC of the Company's application for the increase of its authorized capital stock.

Pursuant to Section 10.1(k) of the SRC, the foregoing share issuances are exempt from the requirement of registration since these are sales of securities to fewer than twenty (20) persons within a twelve-month period.

The Company notes that under the 2015 Implementing Rules and Regulations of the SRC (SRC Rules), companies are no longer required to file Notices of Exempt Transaction with the SEC. Further, under Rule 10.1.5.1 of the SRC, applying for SEC confirmation of exempt transaction is optional. Thus, the Company opted not to apply for confirmation from the SEC that the above are exempt transactions.

The Company paid the taxes involved in the issuance of the shares listed above.

Dividends

The Company is authorized to distribute dividends out of its unrestricted retained earnings, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property are subject to approval of the Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Board of Directors and the approval of stockholders representing at least two-thirds ($^2/_3$) of the Company's outstanding capital stock. In case the stock dividends will be coming from an increase in authorized capital stock, such declaration shall be subject to SEC approval. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

On 6 September 2021, the Board of Directors approved its dividend policy that gives the Board of Directors the discretion to declare dividends as they see fit after considering the funding requirements for future projects subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Company's covenants, if any, and other circumstances that may restrict the payment of dividends. There can be no guarantee that the Company will pay any dividends in the future. Dividends may be declared only from the Company's unrestricted retained earnings. The Company intends to maintain an annual dividend payment ratio of 10% to 30% of net income after tax for the preceding fiscal year.

The Company has not declared any kind of dividend to its shareholders since its incorporation.

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INVESTOR RELATIONS OFFICE

The Company's Investor Relations Program aims to ensure accurate and timely communication of disclosable information, financial and operational performance, and strategic direction related to the Company to the investing public, analysts, fund managers, partners, media, and financial institutions.

The Company aims to build long-standing and trusted relationships with its stakeholders, as it executes its growth strategy to create lasting value for its stakeholders. The Company is committed to transparent communications to provide investors and other stakeholders with the relevant information they need to make their investment decisions and track the Company's operational and financial performance.

Part of the Investor Relations Program is to institutionalize platforms and activities that will allow current and future investors to gain access to the Investor Relations Office of the Company, keeping them abreast with the Company's latest updates.

The Company aims to communicate effectively with its shareholders and stakeholders through the following:

- Corporate Disclosures;
- Press Releases;
- Annual Stockholders Meeting;
- Quarterly Results Briefings;
- Conference and Non-deal Roadshows; and
- Corporate Website.

Through the Company's website, www.spnec.ph, retail and institutional investors may find relevant disclosed information and materials that the Investor Relations Office will regularly review and maintain. Once listed, the Company will comply with the reportorial requirements of the SEC and the PSE, which will also be posted on the Company's official website.

The Investor Relations Office will be headed by an Investor Relations Officer (IRO). The IRO shall be responsible for ensuring that the Company's shareholders have timely and uniform access to official announcements, disclosures, and market-sensitive information relating to the Company. As the officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, it will oversee most aspects of the Company's shareholder meetings, press conferences, investor briefings, non-deal roadshows, one-on-one or group meetings, conference calls, management of the investor relations portion of the Company's website, and the preparation of its annual reports. The IRO will also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

The Company's Investor Relations Office is located at the 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The Company's Investor Relations Officer may be contacted at ir@spnec.ph.

MANAGEMENT

Board of Directors

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

The Board members were elected on 2 July 2021 during the Company's annual shareholders' meeting. As of 4 July 2022, the composition of the Board is as follows:

Table 28: Board of Directors

Name	Age	Citizenship	Present Position	Period of Service
Leandro Antonio L. Leviste	29	Filipino	Chairman	Less than six years
J. Carlitos G. Cruz	62	Filipino	Vice Chairman and Lead Independent Director	Less than two years
Atty. Jesusa Loreto A. Arellano	42	Filipino	Director	Less than one year
Hazel Iris P. Lafuente	35	Filipino	Director	Less than six years
Aresty M. Lapitan	37	Filipino	Director	Less than two years
Benjamin I. Espiritu	69	Filipino	Independent Director	Less than two years
Carlos Jose P. Gatmaitan	56	Filipino	Independent Director	Less than two years

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

Leandro Antonio L. Leviste, 29, Filipino, Chairman, President, and Chief Executive Officer

Mr. Leviste founded the Solar Philippines Group in 2013. He has received numerous awards, including being ranked at the top of Forbes Magazine's inaugural "30 Under 30" List for Asia in 2016. His first mall rooftop solar project was awarded the "2016 Sustainable Energy Finance Award" by The International Finance Corporation of the World Bank. His pioneering innovations won for the company the Asian Power Awards for Independent Power Producer of the Year, Dual Fuel Power Plant of the Year, and Solar Power Project of the Year. He is the youngest ever member of two of the nation's associations of business leaders: Management Association of the Philippines and Makati Business Club. He is currently serving as Chairman, President, and CEO of various entities within the Solar Philippines Group.

J. Carlitos G. Cruz, 62, Filipino, Vice Chairman and Lead Independent Director

Mr. Cruz is the former Chairman and Managing Partner at SGV & Co. In his former capacity, he oversaw the Firm, ascertaining that its objectives, purpose, and policies are met and are in line with SGV &Co.'s growth strategy. Prior to this role, he was the Vice Chairman and Deputy Managing Partner, and Head of Assurance. He joined SGV & Co. in 1981 and was admitted to the partnership in 1995. He led the audit of multinational and Philippine companies across various industries including power generation, energy, and manufacturing. Mr. Cruz completed the Advanced Management Program of Harvard Business School in 2007 and the Advanced International Program in Oil and Gas Management at the University of Texas in 1994. He graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree major in Accounting in 1981 and passed the licensure examination for Certified Public

Accountants in 1982. Mr. Cruz is currently serving as Independent Director, and Chairman of the Risk Oversight Committee and a Member of the Audit and Corporate Governance Committees of SM Prime Holdings, Inc., Independent Director and Chairman of the Audit Committee of Federal Land, Inc., Independent Director and Co-Chairman of Risk and Compliance Committee of Transnational Diversified Group, Inc., Independent Director and Chairman of Audit and Risk Management Committee of MarCoPay Inc., Independent Director, Chairman of Risk Management committee, and a Member, Audit Committee and Corporate Governance Committee of Vivant Corporation and a Member of the Audit and Risk Management Committee and Independent Director of Solar Philippines Project Holdings, Inc. He is currently a member of the Board of Trustees of the Makati Business Club. He is also a member of the Management Association of the Philippines and Philippine Institute of Certified Public Accountants.

Atty. Jesusa Loreto A. Arellano, 42, Filipino, Director, Treasurer, and Chief Financial Officer

Atty. Arellano is a Certified Public Accountant and a lawyer with extensive experience managing cross-functional finance, legal, HR, and operational teams in various industries. Before joining Solar Philippines as its Group Chief Financial Officer, she was with SM Investments Corporation as Vice President for Investments Portfolio and CFO and Treasurer of a portfolio company. Atty. Arellano graduated from the University of the Philippines College of Law with a Juris Doctor degree (cum laude, Class Salutatorian) and a Bachelor of Science degree in Business Administration and Accountancy (cum laude). She holds a Master of Laws degree from Harvard Law School. She is admitted to practice law in the Philippines and New York. She is also a member of the faculties of the College of Law of the University of the Philippines and the Pamantasan ng Lungsod ng Maynila.

Hazel Iris P. Lafuente, 35, Filipino, Director, Assistant Corporate Secretary, Assistant Treasurer, Chief Information Officer, and Chief Project Officer

Ms. Lafuente heads the land acquisition and permitting teams of Solar Philippines and its affiliates and manages the company's overall project execution. With a background in both the private and public sectors, Ms. Lafuente brings 14 years of experience in project management, raw land acquisition, community and stakeholder management, and regulatory compliance and permitting. Prior to joining Solar Philippines, she worked at the Philippine Senate as a legislative staff. Ms. Lafuente graduated from the University of the Philippines with a degree in Social Sciences (Area Studies) cum laude and has taken units in Master of Public Management from the same university. She is also a Certified Project Manager and a lifetime member of the Pi Gamma Mu International Honor Society in Social Sciences.

Aresty M. Lapitan, 37, Filipino, Director, and Head of Controllership

Mr. Lapitan is a highly accomplished executive in accounting, financial management, and operations management. He is a Certified Public Accountant and a Certified Forensic Accountant with a proven track record of streamlining business operations for growth and profitability in the Philippines and China. He took on leading roles in finance and accounting at subsidiaries of New York-based Fownes Brothers Group of Companies. He holds a Bachelor's Degree in Accountancy and graduated cum laude from Polytechnic University of the Philippines and a Master of Business Administration from the Ateneo Graduate School of Business. He is a member of the Philippine Institute of Certified Public Accountants.

Benjamin I. Espiritu, 69, Filipino, Independent Director

Dr. Espiritu is a Certified Public Accountant, entrepreneur, corporate director, educator, military officer, and public servant. He is currently the President of Risks, Opportunities Assessment and Management, (ROAM) Inc., Chairman of Banco de Mindoro, Inc., Chairman and President of EC Ventures Corporation, and several other private firms. He is an Independent Director of two publicly-listed corporations – Central Azucarera de Tarlac, Inc. and Dizon Copper Silver Mines, Inc., and of an insurance company – Intrastrata Assurance Corporation. He is also President of the Mindoro Chamber of Commerce and Industry, Inc. and Chairman of the Board of Advisers of the Philippine Marine Corps.

He was Governor of Oriental Mindoro; a Brigadier General AFP (Res) and former Commander of the 7th Marine Brigade; Chairman of the Board of Regents of the Pamantasan ng Lungsod ng Maynila (University of the City of Manila), Chairman of the Board of Trustees of the Ospital ng Maynila (Hospital of Manila) Medical Center, and President of Don Bosco Technical College Mandaluyong.

He earned his Doctor of Philosophy major in Public Administration degree from the University of Santo Tomas, Master in National Security Administration from the National Defense College of the Philippines, Master of Business Administration from De La Salle University, Bachelor of Science in Commerce, Major in Accounting from De La Salle University, and completed the Naval Command and General Staff Course at the Naval Command and Staff College.

Carlos Jose P. Gatmaitan, 56, Filipino, Independent Director

Dr. Gatmaitan is the CEO of the Institute of Corporate Directors, where he has been a Fellow since 2015. He was President and CEO of PNOC Renewables Corporation, a government-owned and controlled corporation, during the administration of President Benigno Aquino, Jr. Dr. Gatmaitan was also Director for the National Renewable Energy Board. He previously served as Director for Colorplus Production Group, Inc., Printing Industries Association of the Philippines, Dasmariñas Village Association, Inc., and Pacific Plaza Corporation, Inc. He is currently the Chairman of Global Power Solutions Asia, Inc. and is also a member of the Audit Committee of Life Savings Bank. He is an alumnus of Pepperdine University in California, USA (Bachelor of Science in Business Administration and MBA). Dr. Gatmaitan also holds a Doctorate in Organizational Development from the University of Perpetual Help System Dalta. In addition, he teaches Strategy Management at the Ateneo Graduate School of Business.

Below is a summary of the directors holding interlocking directorships in other listed and reporting companies as of 30 June 2022:

Table 29: Interlocking Directorships in Other Listed and Reporting Companies

Director	Listed/Reporting Companies
J. Carlitos G. Cruz	SM Prime Holdings, Inc.; Vivant Corporation
Benjamin I. Espiritu	Dizon Copper-Silver Mines, Inc.; Central Azucarera de Tarlac, Inc.

Principal Officers

As of Prospectus Date, the following are the Company's principal officers:

Table 30: Principal Officers				
Name	**Age**	**Nationality**	**Present Position**	**Year Position was Assumed**
Leandro Antonio L. Leviste	29	Filipino	Chairman, President, and CEO	2016
J. Carlitos G. Cruz	62	Filipino	Vice Chairman	2021
Atty. Gabriel A. Dee	58	Filipino	Corporate Secretary	2022
Atty. Jesusa Loreto A. Arellano	42	Filipino	Treasurer and Chief Financial Officer	2022
Hazel Iris P. Lafuente	35	Filipino	Assistant Corporate Secretary, Assistant Treasurer, Chief Information Officer, and Chief Project Officer	2016
Aresty M. Lapitan	37	Filipino	Head of Controllership	2021
Gino Antonio C. Cruz	36	Filipino	Head of Investor Relations	2021

The business experience discussion for Messrs. Leandro Antonio L. Leviste and Aresty M. Lapitan, Atty. Jesusa Loreto A. Arellano, and Ms. Hazel Iris P. Lafuente are discussed above.

Atty. Gabriel A. Dee, 58, Filipino, Corporate Secretary

Atty. Dee is the Managing Partner at Picazo Buyco Tan Fider & Santos, a full-service law firm recognized internationally in the field of capital markets, banking and finance, and mergers and acquisitions (M&A) practices. He holds a Bachelor of Laws degree from the University of the Philippines (UP) College of Law and Master of Laws degree from the University of California Berkeley School of Law. He was admitted to the Philippine Bar in 1989.

Atty. Dee is also a director and/or is corporate secretary in various publicly listed companies including Macay Holdings, Inc., MJC Investments Corp., and Alliance Select Foods International, Inc. where he is the Vice Chairman.

A Senior Lecturer at the U.P. College of Law, Mr. Dee is a member of the Financial Executives Institute of the Philippines (FINEX) and is also a sought-after resource person for various seminars on IPOs, listings, and estate planning.

Gino Antonio C. Cruz, 35, Filipino, Head of Investor Relations

Mr. Cruz is a highly experienced finance professional with a decade of experience in investments, mergers and acquisitions (M&As), valuation, and capital raising. He is currently the Senior Manager for Corporate Finance for Solar Philippines. He was formerly a Private Equity Analyst with KGL Investment Company Asia where he worked closely with senior executives in the evaluation and execution of big-ticket transactions. Prior to this, he was a Senior Associate at Sycip, Gorres, Velayo & Co. (a member practice of Ernst & Young) in Transactions Advisory and M&A consulting. He is a Certified Public Accountant and has passed the Level 1 Chartered Financial Analyst Exam. He holds a bachelor's degree in Accountancy from the De La Salle University.

Senior Advisors

During its meeting on 4 July 2022, the Board of Directors appointed senior advisors who have for years been guiding the leadership of Solar Philippines with the benefit of their perspective and expertise. They will advise the Company's leadership in the execution of the Company's strategic initiatives. The senior advisors are not officers of the Company.

Martin Charles Crotty

Mr. Crotty is an American with family ties in the Philippines who served as President of AES Asia where he managed power plants in Vietnam, India, Sri Lanka, and the Philippines, including the Masinloc Coal Plant, which was acquired by San Miguel with an enterprise value of $2.4 billion in 2018. Previously, Mr. Crotty was CEO of Upwind Solutions, a wind asset management company backed by Silicon Valley investor Kleiner Perkins Caulfield & Byers. Since then, he has managed the operations of over 10 GW of solar and wind plants in North America at EDF Renewables.

Danny Kennedy

Mr. Kennedy is the CEO of New Energy Nexus, a platform for funds and incubators, with chapters in the United States, China, Indonesia, Vietnam, Thailand, the Philippines, Uganda, and India. He acts as Managing Director of the California Clean Energy Fund and serves as President of CalCharge. He co-founded Sungevity in 2007, the company that created remote solar design, and Powerhouse, an incubator and fund in Oakland, California. He was the first backer of Mosaic in 2011, a solar loan provider backed by Warburg Pincus. In various capacities, Mr. Kennedy has been campaigning for clean energy since 1989.

Significant Employees

The Company believes that the success of its operations is a result of collective efforts of its personnel. Only when there is a mass resignation will the Company's operations have a negative impact on the immediate term.

Family Relationships

There are no known family relationships within the fourth civil degree either by consanguinity or affinity among the current members of the Board of Directors and key officers of the Company.

Involvement in Certain Legal Proceedings

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

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Being subject to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Compensation of Directors and Executive Officers

The Company did not employ any personnel from 31 December 2017 to 30 April 2021. During this period, the Company's operations, business development, administrative, and finance functions were handled by its parent company, SPPPHI. On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from 1 May 2021 to 30 April 2024, renewable or may be extended upon mutual agreement of the parties. The Management Service Agreement covers all necessary administrative and advisory services on management, investment, and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology. The executive compensation of the Company's officers is part of the Management Service Agreement to be charged by SPPPHI as service fee for its executive and leadership support.

Atty. Gabriel A. Dee, the Managing Partner of Picazo Buyco Tan Fider & Santos Law Offices ("**Picazo Law**"), is currently engaged as Corporate Secretary of the Company for which Picazo Law is entitled to a monthly fee of ₱15,000.00.

Regular directors do not receive per diem and monthly compensation. Below are the fees received or projected to be received by the Company's independent directors:

Table 31: Summary of Independent Directors' Fees

Name	Position	Year	Fees	Bonus	Other Compensation
Aggregate directors' fee for the following Independent Directors					
J. Carlitos G. Cruz	Vice Chairman; Lead Independent Director; Audit and Risk Committee Chairman	Actual CY 2019	N/A	N/A	N/A
		Actual FY 30 June 2021	N/A	N/A	N/A
Benjamin I. Espiritu Carlos	Independent Director; Corporate Governance Committee Chairman; Related Party Transaction Committee Chairman	Projected FY 30 June 2022	₱1.8 million	N/A	N/A
Jose P. Gatmaitan	Independent Director				

Standard Arrangements and Other Arrangements

As of 19 August 2022, the Company has no existing arrangements with members of the Board of Directors, executive officers, and employees other than the Management Service Agreement.

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

There are no special employment contracts between the Company and its executive officers. Furthermore, there are no special retirement plans for executives.

There is also no arrangement for special compensation to be received from the Company.

Warrants and Options

As of 19 August 2022, there are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

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SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Security Ownership of Certain Record and Beneficial Owners

As of 19 August 2022, the following are the owners of record, directly or indirectly, of more than 5% of the Company's outstanding capital stock, the number of shares and percentage of shareholdings of each of them:

Table 32:Security Ownership of 5% or More

Title of Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	**Solar Philippines Power Project Holdings, Inc.** LPL Towers, 112 Legaspi St., Legaspi Village, Makati City, Philippines 1229 *Shareholder*	Mr. Leandro Antonio L. Leviste (Owner of 99% of SPPPHI)	Filipino	5,424,349,998	66.77%
Common	**PCD Nominee Corporation (Filipino)** 29th Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati City *Shareholder*	Shares of the Company purchased from the market by the investing public are lodged with the PDTC under PCD Nominee Corporation	Filipino	2,662,279,631	32.77%
Total				**8,086,629,629**	**99.54%**

Security Ownership of Directors and Management

The following are the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of 19 August 2022:

Table 33: Direct Ownership by Board of Directors and Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	**Leandro Antonio L. Leviste** Chairman and CEO	1 – Direct 5,724,485,998 – Indirect*	Filipino	-nil- 70.46%
Common	**Atty. Jesusa Loreto A. Arellano** Director, Treasurer, and Chief Financial Officer	0 – Direct 9,000 – Indirect	Filipino	-nil-
Common	**Hazel Iris P. Lafuente** Director, Assistant Corporate Secretary, Assistant Treasurer, Chief Information Officer, and Chief Project Officer	0 – Direct 200,001 – Indirect**	Filipino	-nil-
Common	**Aresty M. Lapitan** Director and Head, Controllership	1 – Direct 0 – Indirect	Filipino	-nil-
Common	**Carlos Jose P. Gatmaitan** Independent Director	1 – Direct 150,000 – Indirect	Filipino	-nil-
Common	**J. Carlitos G. Cruz** Vice Chairman and Lead Independent Director	1 – Direct 0 – Indirect	Filipino	-nil-

Table 33: Direct Ownership by Board of Directors and Management				
Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent of Class**
Common	**Benjamin I. Espiritu** Independent Director	1 – Direct 0 – Indirect	Filipino	-nil-
Total		**5 – Direct** **5,724,844,999 – Indirect**		**-nil- - Direct** **70.46% - Indirect**

**Includes the common shares indirectly held by Mr. Leviste through Countryside Investments Holdings Corporation, which shares are currently lodged with the PDTC under PCD Nominee Corporation*

*** The nominal share of Ms. Lafuente in the Company is currently lodged with the PDTC under PCD Nominee Corporation*

As of 19 August 2022, the aggregate direct and indirect ownership of all directors and officers of the Company as a group is 70.46% of the total issued and outstanding shares of the Company.

Selling Security Holders

No Rights Shares shall be offered for the account of security holders.

Voting Trust

The Company knows of no person holding more than 5% of shares under a voting trust or similar agreement.

Changes in Control

Article Nine of the Company's amended Articles of Incorporation state that the Company shall strictly comply with the lock-up requirements of the PSE. Except for the aforementioned provision, there are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

On 25 June 2021, SPPPHI executed a pledge over all SPNEC shares (Pledged Shares) it owns as security for a loan agreement entered by its affiliate, PIC, with ACEN. Pursuant to this pledge, upon the occurrence of an event of default by PIC under the loan agreement with ACEN, and its subsequent failure to pay the outstanding principal amount of the loan and all interests accrued and unpaid, if any, ACEN, as the lender, may sell the Pledged Shares, thereby effecting a change of control of the Company.

However, the sale of SPNEC pursuant to the aforementioned pledge may not be implemented during the lock-up period described in page 94. The lender has agreed to provisionally return the stock certificates representing the pledged shares and to have the same placed under escrow for the exclusive purpose of enabling the IPO.

In compliance with Section 2 (a), Part D, Article III of the Consolidated Listing and Disclosure Rules of the PSE, the Pledged Shares, with the exception of the nominal share under the name of Ms. Hazel Iris P. Lafuente, were uplifted from lodgment, certificated, and delivered to PNB Trust as escrow agent for the locked-up shares.

PLAN OF OPERATION AND MANAGEMENT'S DISCUSSION

Plan of Operation

As of 30 June 2022, the Company has not yet started commercial operations.

To date, PV module installation is ongoing for Phase 1A.

The Company plans to undertake its solar power projects using a mix of debt and equity. The Company has allocated ₱1,003 million to fund the construction and development of Phase 1A with a size of 50 MWdc and the construction of the transmission line for the Project amounting to approximately ₱200 million. The remaining ₱3,649 million programmed to complete the funding requirements of the construction and development of Phase 1 (practically Phase 1B) shall be funded by debt financing. In the event of funding shortfalls, the Company may choose to engage with its group EPC contractor, a related party by virtue of common shareholders, to take advantage of preferable payment terms until cash flows of the Company improve. Alternatively, the Company may opt to fulfil any funding shortage from debt sources. The objective is to launch the commercial operations of Phase 1A sooner such that cash flows from this business activity may support the project financing and accompanying debt service relating to the construction and development of Phase 1B, as well as Phase 2.

The following shows the sources and uses of funds for the construction and development of Phase 1 from the Company's IPO.

Table 34: Sources and Uses of Funds for the Construction and Development of Phase 1

Description	Amounts (in ₱millions)
Uses of Funds	
Transmission line construction	₱200
Phase 1A	
Construction	₱1,003
Phase 1B	
Construction	₱3,488
Financing costs	₱161
Lease for fiscal year 2022	₱23
Total Uses of Funds	**₱4,875**
Sources of Funds	
Proceeds from debt financings[(1)]	₱3,649
Net proceeds from the IPO Allocated for Phase 1[(2)]	1,226
Total Sources of Funds	**₱4,875**

Notes:
(1) Debt assumes expected loan proceeds needed to complete the construction and development of Phase 1 until the commencement of operations.
(2) Based on the Company's estimated net proceeds to be raised from the IPO after deduction of estimated IPO expenses and general corporate expenses.

Since the IPO, there has been no change in the sources and uses of funds with respect to the construction and development of Phase 1.

The Company's has sufficient working capital, despite being in the pre-operating stages, for expenses that include corporate office overhead, administrative expenses, and other costs shouldered by Company in the course of normal business activities, funded by proceeds from the recent IPO.

The Company initially allocated ₱1,332 million of the net IPO proceeds toward land for future expansion. However, on 20 December 2021, the Board resolved that pending the use of said allocated amount for future land acquisitions, effective 19 January 2022, the Company shall be authorized to allocate the same towards bid bonds, bid security, and other expenses for potential off-take agreements to enable the Company to be responsive to contracting opportunities as soon as they arise, in support of the Company's strategy to pursue such off-take arrangements on an opportunistic basis. Further, on 14 February 2022, the Board approved the acquisition of land in support of the Company's plan to develop 10 GW of solar projects, to be funded from proceeds of a stock rights offering and proceeds from the IPO, as available, and the delegation of authority to the Company's President or his authorized representative to determine the location, particular parcels, and terms for such land acquisitions, and authority to execute contracts for this purpose. On even date, the Board approved the conduct of a stock rights offering where eligible stockholders of record of the Company, as of the date to be set by Management in accordance with existing law and regulations, will have the opportunity to subscribe to common shares of the Company, subject to the terms to be determined by Management, the increase of the authorized capital stock of the Company, and the requirements and relevant approvals of the SEC and the PSE.

In pursuit of its business plans and strategies, the Company shall primarily utilize the Net Proceeds from the Offer of ₱2,795.3 million for project development and general corporate purposes.

The Company foresees that it will engage an additional 45 employees in the next 12 months.

As of 31 December 2021 and 30 June 2022, the Company has spent ₱296,021 and ₱1,714,642,171 of the IPO proceeds for development and other general expenses, respectively.

Management's Discussion

The tables below present the summary of financial operations of the Company for calendar years ended 31 December 2018, 2019, and 2020, for the six-month periods ended 30 June 2020 and 2021, and for the fiscal years ended 30 June 2021 and 2022, and its financial position as of 31 December 2018, 2019, and 2020, 30 June 2021, and 30 June 2022.

On 29 March 2021, the Board of Directors approved the Company's change in fiscal year which will start from 1 July and end on 30 June each year. On 6 April 2021, the Company filed with the SEC and was approved by the SEC the change in fiscal year on 14 April 2021. Accordingly, as the fiscal year ended 30 June 2021 is a transitional period, the "fiscal year ended 30 June 2021" for the Company comprised the six months from 1 January 2021 to 30 June 2021 coming from a fiscal year/calendar year ending on 31 December 2020. In this Prospectus, such "fiscal year ended 30 June 2021" of the Company is referred to as the "six months ended 30 June 2021". As the reporting of accounts for the six months ended 30 June 2021 is irregular, the Company's results of operations, financial condition, and cash flows as of and for the six months ended 30 June 2021 are not comparable to the Company's results of operations, financial condition, and cash flows as of and for the calendar year (12 months) ended 31 December 2020.

The summary of financial information for calendar years ended 31 December 2018, 2019, and 2020,for the six-month periods ended 30 June 2020 and 2021, and for the years ended 30 June 2022 and 2021, and its financial position as of 31 December 2018, 2019, and 2020, and 30 June 2021, and 30 June 2022 is based on the audited financial statements of the Company, which were prepared in accordance with the PFRS and should be read in conjunction with the auditor's reports and the financial statements and notes contained in this Prospectus.

The Company adopted PFRS 16, *Leases*, using modified retrospective approach with initial date of application on 1 January 2019. Amounts presented in the statements of financial position and statements of comprehensive income as of and for the year ended 31 December 2018 are based on PAS 17, *Lease*s, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The information below is not necessarily indicative of the results of future operations or financial condition of the Company.

Table 35: SPNEC Summary of Comprehensive Income

Amounts in ₱0.00	**Calendar Year Ended 31 December**			**For the Six-Month Periods ended 30 June**		**For the Fiscal Year ended 30 June**	
	2018 (Audited)	**2019 (Audited)**	**2020 (Audited)**	**2020 (Audited)**	**2021 (Audited)**	**2021 (Audited)**	**2022 (Audited)**
Interest Income	389	895	286	209	6,013	**6,090**	**548,180**
Expenses	693,849	10,403,960	8,888,513	3,229,226	17,015,706	22,674,993	72,498,183
Income (Loss) Before Income Tax	**(693,460)**	**(10,403,065)**	**(8,888,227)**	**(3,229,017)**	**(17,009,693)**	**(22,668,903)**	**(71,950,003)**
Benefit from (Provision for) Deferred Income Tax	-	-	-	-	(904,291)	(904,291)	11,370,555
Net Income (Loss)	**(693,460)**	**(10,403,065)**	**(8,888,227)**	**(3,229,017)**	**(17,913,984)**	**(23,573,194)**	**(60,579,448)**
Other Comprehensive Income	-	-	-	-	-	-	-
Total Comprehensive Income (Loss)	**(693,460)**	**(10,403,065)**	**(8,888,227)**	**(3,229,017)**	**(17,913,984)**	**(23,573,194)**	**(60,579,448)**

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Table 36: SPNEC Summary of Financial Position					
Amounts in ₱0.00	As of 31 December			As of 30 June 2021 (Audited)	As of 30 June2022 (Audited)
	2018 (Audited)	2019 (Audited)	2020 (Audited)		
Assets					
Cash	3,148,283	713,743	22,298,155	351,251	886,758,302
Due from a related party	-	-	-	-	541,700,000
Other current assets	19,751	20,750	25,370	776,092	20,789,388
Total Current Assets	**3,168,034**	**734,493**	**22,323,525**	**1,127,343**	**1,449,247,690**
Right-of-use assets	-	45,986,437	44,146,980	297,751,234	286,910,494
Deposits for land acquisition	34,926,712	-	-	537,000,000	621,499,933
Construction in progress	-	-	-	-	921,385,618
Deferred tax assets	-	-	-	-	10,466,264
Other noncurrent assets	4,311,742	11,265	11,265	1,370,284	114,218,371
Total Noncurrent Assets	**39,238,454**	**45,997,702**	**44,158,245**	**836,121,518**	**1,954,480,680**
Total Assets	**42,406,488**	**46,732,195**	**66,481,770**	**837,248,861**	**3,403,728,370**
Liabilities and Equity					
Accounts payable and accrued expenses	56,564	583,084	578,288	6,728,056	13,000,260
Due to related parties	44,030,325	10,668,623	17,387,923	22,792,348	22,792,348
Current portion of lease liabilities	-	4,311,742	4,311,742	14,004,465	4,538,676
Total Current Liabilities	**44,086,889**	**15,563,449**	**22,277,953**	**43,524,869**	**40,331,284**
Lease liabilities – net of current portion	-	43,252,212	42,988,010	275,521,361	289,340,172
Deferred tax liability	-	-	-	904,291	-
Total Noncurrent Liabilities	**-**	**43,252,212**	**42,988,010**	**276,425,652**	**289,340,172**
Capital Stock	250,000	250,000	1,000,000	542,435,000	**812,435,001**
Subscription Receivable	(187,500)	(187,500)	-	-	-
Additional paid-in capital stock	-	-	21,250,000	-	2,347,338,021
Deficit	(1,742,901)	(12,145,966)	(21,034,193)	(25,136,660)	(85,716,108)
Total Equity (Capital Deficiency)	**(1,680,401)**	**(12,083,466)**	**1,215,807**	**517,298,340**	**3,074,056,914**
Total Liabilities and Equity	**42,406,488**	**46,732,195**	**66,481,770**	**837,248,861**	**3,403,728,370**

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Table 37: SPNEC Cash Flow Statements					
Amounts in ₱0.00	Calendar Year Ended 31 December			For the Six-Month Period ended 30 June	For the Year ended 30 June
	2018 (Audited)	**2019 (Audited)**	**2020 (Audited)**	**2021 (Audited)**	**2022 (Audited)**
CASH FLOWS USED IN OPERATING ACTIVITIES					
Loss before income tax	(693,460)	(10,403,065)	(8,888,227)	(17,009,693)	(71,950,003)
Adjustments for:					
Interest accretion of lease liabilities	-	4,049,803	4,047,540	5,624,883	9,142,009
Amortization of ROU assets	-	1,839,457	1,839,457	3,118,537	5,420,370
Provision for impairment loss on input VAT	4,620	14,243	109,091	-	-
Unrealized foreign exchange loss	-	-	-	-	274,709
Interest income	(389)	(895)	(286)	(6,013)	(548,180)
Operating loss before working capital changes	**(689,229)**	**(4,500,457)**	**(2,892,425)**	**(8,272,286)**	**(57,661,095)**
Increase in:					
Other current assets	(24,371)	(15,243)	(113,711)	(755,342)	(20,013,297)
Increase (decrease) in accounts payable and accrued expense	(19,525)	526,520	(4,796)	6,149,768	6,272,205
Net cash used in operations	(733,125)	(3,989,180)	(3,010,932)	(2,877,860)	(71,402,187)
Interest received	389	895	286	6,013	548,180
Net cash flows used in operating activities	**(732,736)**	**(3,988,285)**	**(3,010,646)**	**(2,871,847)**	**(70,854,007)**
CASH FLOWS USED IN INVESTING ACTIVITIES					
Deposits for land acquisition	(2,000,000)	-	-	(537,000,000)	(84,499,933)
Construction in progress	-	-	-	-	(906,749,770)
Additions to right-of-use assets	-	-	-	(20,121,600)	-
Due from a related party					(541,700,000)
Decrease (increase) in other noncurrent assets	(4,311,742)	(11,265)	-	(1,354,399)	(112,848,087)
Net cash flows used in investing activities	**(6,311,742)**	**(11,265)**	**-**	**(558,475,999)**	**(1,645,797,790)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of common stocks	-	-	22,000,000	541,435,000	2,599,338,022
Additional capital contribution	-	-	-	-	18,000,000
Collection of subscription receivable	-	-	187,500	-	-
Net advances from related parties	10,068,030	1,565,010	6,719,300	5,404,425	-
Stock issuance costs	-	-	-	(7,438,483)	-
Payment of lease liabilities	-	-	(4,311,742)	-	(14,004,465)
Net cash flows from financing activities	**10,068,030**	**1,565,010**	**24,595,058**	**539,400,942**	**2,603,333,557**
EFFECTS OF EXCHANGE RATES ON CASH	**-**	**-**	**-**	**-**	(274,709)
NET INCREASE (DECREASE) IN CASH	3,023,552	(2,434,540)	21,584,412	(21,946,904)	886,407,051
CASH AT BEGINNING OF THE PERIOD	124,731	3,148,283	713,743	22,298,155	351,251
CASH AT END OF PERIOD	**3,148,283**	**713,743**	**22,298,155**	**351,251**	**886,758,302**

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Full-year ended 30 June 2022 vs. Full-year ended 30 June 2021

Material Changes to the Statement of Comprehensive Income for the Year Ended 30 June 2022 Compared to the Statement of Comprehensive Income for the Year Ended 30 June 2021(increase/ decrease of 5% or more)

Horizontal and Vertical Analysis of Comprehensive Income 30 June 2022 vs 30 June 2021						
Amounts in ₱0.00	**30 June 2022**	**30 June 2021**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**June 2022 (Audited)**	**June 2021 (Audited)**
			Amount	***Percentage***		
Interest income	**548,180**	**6,090**	**542,090**	8901.31%	0.90%	0.03%
Expenses						
Management fee	24,000,000	4,000,000	20,000,000	500.00%	39.62%	16.97%
Filing fees	12,465,411	-	12,465,411	100.00%	20.58%	0.00%
Taxes and licenses	10,589,980	1,453,987	9,135,993	628.34%	17.48%	6.17%
Interest expense	9,142,009	7,648,652	1,493,357	19.52%	15.09%	32.45%
Professional fee	6,540,000	2,652,032	3,887,968	146.60%	10.80%	11.25%
Amortization	5,420,370	4,038,265	1,382,105	34.23%	8.95%	17.13%
Bid-related cost	1,634,000	1,909,091	(275,091)	-14.41%	2.70%	8.10%
Others	2,706,413	972,966	1,733,447	178.16%	4.47%	4.13%
Total Expenses	**72,498,183**	**22,674,993**	**49,823,190**	219.73%	119.67%	96.19%
LOSS BEFORE TAX	**71,950,003**	**22,668,903**	**49,281,100**	217.40%	118.77%	96.16%
Provision for (Benefit from) deferred tax	(11,370,555)	904,291	(12,274,846)	-1357.40%	-18.77%	3.84%
NET LOSS AFTER TAX	**60,579,448**	**23,573,194**	**37,006,254**	156.98%	100.00%	100.00%
TOTAL COMPREHENSIVE LOSS	**60,579,448**	**23,573,194**	**37,006,254**	156.98%	100.00%	100.00%

Expenses

During the year, the major expenses of the Company are as follows:

Table 38: Breakdown of Expenses 30 June 2022 vs. 30 June 2021				
Amounts in ₱millions	**2022 (Audited)**	**2021 (Audited)**	**Percentage to Total Net Loss as of 30 June 2022**	**Growth**
Management fee	24.00	4.00	39.62%	500.00%
Filing fee	12.47	-	20.58%	100.00%
Taxes and licenses	10.59	1.45	17.48%	628.34%
Interest accretion of lease liabilities	9.14	7.65	15.09%	19.52%
Professional fees	6.54	2.65	10.80%	146.60%
Amortization of ROU assets	5.42	4.04	8.95%	34.23%

Management Fee

On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI, its Parent Company, to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from 1 May 2021 to 30 April 2024, in which the parties upon mutual agreement may renew or extend. The monthly fee for the said agreement is ₱2.00 million, exclusive of value-added tax. For the fiscal year ended 30 June 2022 and 2021, the management fees recorded amounted to ₱24.0 million and ₱4.0 million, respectively.

Filing Fees

This account pertains to the payment of IPO and SRO filing fees, and listing maintenance fee to the PSE during the fiscal year ended 30 June 2022.

Taxes and Licenses

With the additional leases entered in January 2021 and May 2021, the Company paid real property taxes and lease annotation fees amounting to ₱1.1 million and ₱1.2 million, respectively, for the fiscal year ended 30 June 2022. The Company also incurred construction-related permits totaling to ₱6.2 million.

Interest and Amortization Expense

The new two (2) lease agreements of the Company in 2021 resulted to increased lease-related expenses including interest and amortization expenses. Interest expense amounted to ₱9.1 million and ₱7.6 million for the fiscal year ended 30 June 2022, and 2021, respectively. In addition to this, the Company also recognized amortization expense of ROU assets amounted to ₱5.4 million and ₱4.0 million for the fiscal year ended 30 June 2022, and 2021, respectively.

As the construction for the Project has begun last 27 December 2021, the Company also capitalized the interest accretion of lease liability and amortization of ROU asset from 1 January 2022 to 30 June 2022 totaling to ₱14.6 million.

Professional Fees

Professional fees increased by 146.60% from ₱2.7 million for the fiscal year ended 30 June 2021, as compared to ₱6.5 million for the fiscal year ended 30 June 2022, due to the payment of directors' and consultancy fees totaling to ₱3.7 million.

Benefit from Deferred Tax

The Company's benefit from deferred tax came from recognition on right-of-use assets and lease liabilities as at 30 June 2022 and 30 June 2021.

Net Loss

As the Company entered into new lease agreements and management contract in 2021, it recognized higher net loss for the fiscal year ended 30 June 2022 amounting to ₱60.6 million, an increase of 156.98% from the net loss of ₱23.6 million recognized in the fiscal year ended 30 June 2021.

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Material Changes to the Statement of Financial Position as of 30 June 2022 compared to the Statement of Financial Position as of 30 June 2021 (increase/ decrease of 5% or more)

Amounts in ₱0.00	30 June 2022	30 June 2021	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		June 2022	June 2021
			Amount	*Percentage*		
Assets						
Cash	886,758,302	351,251	886,407,051	252357.16 %	26.05%	0.04%
Due from a related party	541,700,000	-	541,700,000	100.00%	15.91%	0.00%
Other current assets	20,789,388	776,092	20,013,296	2578.73%	0.61%	0.09%
TOTAL CURRENT ASSETS	**1,449,247,690**	**1,127,343**	**1,448,120,347**	128454.28 %	42.58%	0.13%
Construction in progress	921,385,618	-	921,385,618	100.00%	27.07%	0.00%
Deposit for land acquisition	621,499,933	537,000,000	84,499,933	15.74%	18.26%	64.14%
Right-of-use assets	286,910,494	297,751,234	(10,840,740)	-3.64%	8.43%	35.56%
Deferred income tax asset - net	10,466,264	-	10,466,264	100.00%	0.31%	0.00%
Other noncurrent assets	114,218,371	1,370,284	112,848,087	8235.38%	3.36%	0.16%
TOTAL NONCURRENT ASSETS	**1,954,480,680**	**836,121,518**	**1,118,359,162**	133.76%	57.42%	99.87%
TOTAL ASSETS	**3,403,728,370**	**837,248,861**	**2,566,479,509**	306.54%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	13,000,260	6,728,056	6,272,204	93.22%	0.38%	0.80%
Due to a related party	22,792,348	22,792,348	-	0.00%	0.67%	2.72%
Current portion of lease liabilities	4,538,676	14,004,465	(9,465,789)	-67.59%	0.13%	1.67%
TOTAL CURRENT LIABILITIES	**40,331,284**	**43,524,869**	**(3,193,585)**	-7.34%	1.18%	5.20%
Lease liabilities - Net of current portion	289,340,172	275,521,361	13,818,811	5.02%	8.50%	32.91%
Deferred tax liability	-	904,291	(904,291)	-100.00%	0.00%	0.11%
TOTAL NONCURRENT LIABILITIES	**289,340,172**	**276,425,652**	**12,914,520**	4.67%	8.50%	33.02%
TOTAL LIABILITIES	**329,671,456**	**319,950,521**	**9,720,935**	3.04%	9.69%	38.21%
Common stock	812,435,001	542,435,000	270,000,001	49.78%	23.87%	64.79%
Additional paid-in capital	2,347,338,021	-	2,347,338,021	100.00%	68.96%	0.00%
Deficit	(85,716,108)	(25,136,660)	-60,579,448	241.00%	-2.52%	-3.00%
TOTAL EQUITY	**3,074,056,914**	**517,298,340**	**2,556,758,574**	494.25%	90.31%	61.79%
TOTAL LIABILITIES AND EQUITY	**3,403,728,370**	**837,248,861**	**2,566,479,509**	306.54%	100.00%	100.00%

Cash

In July, August and November 2021, the Company received cash totaling to ₱18.0 million, as infusion of additional capital from the Parent Company. This is pursuant to the Memorandum of Agreement dated 29 July 2021 and 12 November 2021, where the Parent Company agreed to provide cash to the Company, and the Company agreed to record such capital infusion as the Parent Company's additional paid-in capital.

In December 2021, the Company completed its IPO and received proceeds totaling to ₱2,700 million. The Company paid various IPO-related expenses totaling ₱112.8 million.

In 2022, the Company made various deposits for land acquisition amounting to ₱84.5 million and incurred an amount of ₱906.8 million for the construction of the project. This resulted to a net increase of cash account by 252357.16 % from ₱0.35 million as of 30 June 2021 to ₱886.8 million as of 30 June 2022.

Due from A Related Party

On 6 April 2022, the Board of Directors (BOD) of the Company, pursuant to the BOD approval on 20 December 2021, approved the allocation of IPO proceeds to advance the funding for pursuing off take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SP Holdings, Inc. (SPHI), given that SPHI is a shareholder in Terra and that SPHI is planned to be a subsidiary of SPNEC through the share swap approved by SPNEC's stockholders on 7 March 2022, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

As of 30 June 2022, the Company advanced ₱541.7 million to SPHI and presented as Due from A Related Party in the Company's audited financial statements.

Right-of-Use (ROU) Assets

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the original Lease Agreement dated 6 September 2016. The total annual lease payment is ₱9.4 million, net of tax.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one (1) year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject to renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

The Company recognized ROU assets in this regard, which decreased by 3.64% from ₱297.8 million as of 30 June 2021 to ₱286.9 million as of 30 June 2022 due to amortization during the period amounting to ₱10.8 million.

Deposit for Land Acquisition

On 20 February 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on 3 March 2021, to secure land for future expansion in excess of the capacity contemplate for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to executive definitive agreements, e.g., DOAS, to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267.0 million, which represents the full payment.

On 19 April 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., DOAS to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270.0 million, which represents the full payment.

Furthermore, in 2022, the Company made deposits for land acquisition to various landowners amounting to ₱84.5 million. This caused the deposits for land acquisition to increase by 15.74% from ₱537.0 million as of 30 June 2021 to ₱621.5 million as of 30 June 2022.

Other Current Assets

Other Current Assets increased by 2578.73% from ₱0.8 million as of 30 June 2021 to ₱20.8 million as of 30 June 2022. This is primarily due to the performance bond, which is valid until May 2023, provided to Angeles Electric Corporation as required under the Renewable Power Supply Agreement and surety bond for the Green Energy Auction Program (GEAP) of the Department of Energy (DOE), where the Corporation was awarded as one of the winning bidders in the DOE's Green Energy Auction.

Construction in progress

Construction in progress increased by 100% from nil as of 30 June 2021 to ₱921.4 million as of 30 June 2022. As the construction for the Project has begun last 27 December 2021, the Company incurred costs for materials needed for the Project such as solar photovoltaic modules, mounting structures, and other construction materials and equipment totaling to ₱906.7 million. The Company also capitalized the interest accretion of lease liability and amortization of ROU asset during the construction period totaling to ₱14.6 million.

Deferred Tax Asset/Deferred Tax Liability

The Company's net deferred tax asset as at 30 June 2022 and net deferred tax liability as at 30 June 2021 came from recognition on ROU assets and lease liabilities.

Other Noncurrent Assets

Increase in this account by 8235.38% from ₱1.37 million as of fiscal year ended 30 June 2021 to ₱114.2 million as of 30 June 2022, is mainly attributed to the payment of taxes on importation amounted to ₱90.6 million and advances to contractors of ₱8.3 million for rental of equipment and project-related studies. The Company also recognized deferred input VAT related to the management fee and input VAT on professional fees totaling to ₱7.0 million.

Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses increased by 93.22% from ₱6.7 million as of 30 June 2021 to ₱13.0 million as of 30 June 2022. This was primarily due to additional payable related to management fee of ₱5.82 million which was subsequently paid by the Company in July 2022.

Due to A Related Party

The Company, in the normal course of business, has transactions with its Parent Company, SPPPHI, which are recorded as advances. These advances are unsecured, non-interest bearing, due and demandable. No movement in the account from 30 June 2021 to 30 June 2022.

Lease Liabilities

In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with a one year rent-free period plus 25-year term. Further, the lease is subject for renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. As of 30 June 2022, the total lease liability recognized for this lease contract is ₱51.6 million.

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the original Lease Agreement dated 6 September 2016, among others, to the assignee, and the assignee accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. In March 2021, the Company and the lessor executed an Addendum amending Section 4.1 (Annual Rental) and Section 4.2 (Advance Rental) to the 6 September 2016 lease agreement and agreed that the lease commencement date shall be on 31 March 2021, for the parcels of land with a total area of 169.86 hectares. The total annual lease payment is ₱9.4 million, net of tax. As of 30 June 2022, the total lease liability recognized for this lease contract is ₱161.8 million.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject to renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax. As of 30 June 2022, the total lease liability recognized for this lease contract is ₱80.5 million.

The increase in total lease liabilities of 3.17% from ₱289.53 million as of 30 June 2021 to ₱293.9 million as of 30 June 2022 is due to the accretion of interest during the period amounting to ₱18.4 million, which was partially offset by the payment of annual rental amounted to ₱14.0 million. A portion of ₱14.0 million covers advance payment for the year 2023 resulting to a decrease in current portion of lease liabilities.

Common Stock and Additional Paid-in Capital

In July 2021, the Company issued five shares to the new directors.

On 29 July 2021 and 12 November 2021, the Company entered into a Memorandum of Agreement with its Parent Company, where the Parent Company obligated itself to pay SPNEC ₱16.0 million and ₱2.0 million, and SPNEC agreed to record such capital infusion as the Parent Company's additional paid-in capital.

Moreover, on 17 December 2021, the Company undertook a public offering of its 2.70 billion common shares with a total par value of ₱270.0 million for a total consideration of ₱2,700 million pesos. As a result of the IPO, additional paid-in capital amounting to ₱2,329.34 million, net of share issuance costs of ₱100.66 million, has been recognized in the 30 June 2022 audited financial statements.

As of 30 June 2022, 8,124.4 million common shares are issued and outstanding with an amount of ₱812.4 million presented as Common Stock.

Deficit

Deficit increased by 241.0% from ₱25.1 million as of fiscal year ended 30 June 2021, to ₱85.7 million as of 30 June 2022. This is primarily due to the net losses incurred during the period amounted to ₱60.6 million.

Six-months ended 30 June 2021 vs. Six-months ended 30 June 2020

Material Changes to the Statement of Comprehensive Income for the Six-months ended 30 June 2021 compared to the Statement of Comprehensive Income for the Six-months ended 30 June 2020 (increase/ decrease of 5% or more)

Table 39: Horizontal and Vertical Analysis of Comprehensive Income 30 June 2021 vs 30 June 2020						
Amounts in ₱0.00	**30 June 2021 (Audited)**	**30 June 2020 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**30 June 2021 (Audited)**	**30 June 2020 (Audited)**
			Amount	***Percentage***		
Interest Income	6,013	209	5,804	2,777.03%	0.03%	0.01%
Expenses						
Interest accretion of lease liabilities	5,624,883	2,023,771	3,601,112	177.94%	31.40%	62.67%
Management fee	4,000,000	-	4,000,000	100.00%	22.33%	0.00%
Amortization of ROU assets	3,118,537	919,729	2,198,808	239.07%	17.41%	28.48%
Professional fee	1,958,143	220,000	1,738,143	790.07%	10.93%	6.81%
Taxes and licenses	1,445,372	64,576	1,380,796	2,138.25%	8.07%	2.00%
Penalties and surcharges	797,695	-	797,695	100.00%	4.45%	0.00%
Others	71,076	1,150	69,926	6,080.52%	0.40%	0.04%
Total Expenses	**17,015,706**	**3,229,226**	**13,786,480**	426.93%	94.99%	100.01%
LOSS BEFORE INCOME TAX	**17,009,693**	**3,229,017**	**13,780,676**	426.78%	94.95%	100.00%
Deferred income tax	904,291	-	904,291	100.00%	5.05%	0.00%
NET LOSS	**17,913,984**	**3,229,017**	**14,684,967**	454.78%	100.00%	100.00%
TOTAL COMPREHENSIVE LOSS	**17,913,984**	**3,229,017**	**14,684,967**	454.78%	100.00%	100.00%

Interest Income

As the Company is still in the pre-operational stage, the Company's cash is parked in banks from which it earns interest. As cash balances were mostly higher in the first six months of 2021 than in 2020, considering the receipt of subscription subject of the increase in ACS on 14 December 2020, interest income increased by 2,777.03% in the first six months of 2021.

Expenses

During the year, the major expenses of the Company are as follows:

Table 40: Breakdown of Expenses 30 June 2021 vs. 30 June 2020

Amounts in ₱millions	**30 June 2021 (Audited)**	**30 June 2020 (Audited)**	**Percentage to Total Net Loss as of 30 June 2021**	**Growth**
Interest accretion of lease liabilities	5.62	2.02	31.40%	177.94%
Management fee	4.00	-	22.33%	100.00%
Amortization of ROU assets	3.12	0.92	17.41%	239.07%
Professional fee	1.96	0.22	10.93%	790.07%
Taxes and licenses	1.45	0.06	8.07%	2,138.25%

Interest and Amortization Expense

In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with one-year rent-free period plus 25-year term. Further, the lease is subject to renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. In this regard, the Company recognizes Right-of-Use ("**ROU**") assets and in effect, recognizes non-cash expenses relating to these ROU assets.

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the 6 September 2016 Lease Agreement. In April 2021, the Company and the lessor, Las Piñas Agro Industrial Corporation, executed an Addendum amending Section 4.1 (Annual Rental) and Section 4.1 (Advance Rental) of the 6 September 2016, lease agreement and agreed that the lease commencement date shall be on 31 March 2021 for the parcels of land with a total area of 169.86 hectares. The total annual lease payment is ₱9.4 million, net of tax.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one-year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject for renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

Along with the new two lease agreements the Company has entered during 2021, expenses related to leases including interest and amortization expenses increased as well. Interest expense amounted to ₱5.62 million and ₱2.02 million as of 30 June 2021, and 2020, respectively. In addition to this, the Company also recognized amortization expense for these

agreements amounted to ₱3.12 million and ₱0.92 million for the six-month period ended 30 June 2021, and 2020, respectively.

Management Fee

On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI, its Parent Company, to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from 1 May 2021 to 30 April 2024, in which the parties upon mutual agreement may renew or extend. The monthly fee for the said agreement is ₱2 million, exclusive of value-added tax. For the six-month period ended 30 June 2021 and 2020, the expense recorded related to this amounted to ₱4 million and nil, respectively.

Professional Fee

Professional fee is higher by 790.07% from ₱0.22 million for the six-month period ended 30 June 2020, as compared to ₱1.96 million for the six-month period ended 30 June 2021. This is primarily due to the recorded audit fees of ₱1.5 million related to 30 June 2021 and the four-year financial statements.

Taxes and Licenses

With the additional leases in 2021, the Company accrued documentary stamp taxes and paid real property taxes totaling ₱1.30 million.

Net Loss

As the Company entered into new lease agreements and management contract in 2021, the Company booked higher net loss for the six-months ended 30 June 2021 amounting to ₱17.91 million, a deterioration of 454.78% from the net loss of ₱3.23 million booked in the six-months ended 30 June 2020.

Material Changes to the Statement of Financial Position as of 30 June 2021 compared to the Statement of Financial Position as of 31 December 2020 (increase/ decrease of 5% or more)

Table 41: Horizontal and Vertical Analysis of Financial Position 30 June 2021 vs 31 December 2020

Amounts in ₱0.00	30 June 2021 (Audited)	31 December 2020 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		30 June 2021 (Audited)	31 December 2020 (Audited)
			Amount	*Percentage*		
Assets						
Cash	351,251	22,298,155	(21,946,904)	-98.42%	0.04%	33.54%
Other current assets	776,092	20,750	755,342	3,640.20%	0.09%	0.03%
Total Current Assets	**1,127,343**	**22,318,905**	**(21,191,562)**	-94.95%	0.13%	33.57%
Right-of-use assets	297,751,234	44,146,980	253,604,254	574.45%	35.56%	66.40%
Deposit for land acquisition	537,000,000	-	537,000,000	100.00%	64.14%	0.00%
Other noncurrent assets	1,370,284	15,885	1,354,399	8,526.28%	0.16%	0.03%
Total Noncurrent Assets	**836,121,518**	**44,162,865**	**791,958,653**	1,793.27%	99.87%	66.43%
TOTAL ASSETS	**837,248,861**	**66,481,770**	**770,767,091**	1,159.37%	100.00%	100.00%

Table 41: Horizontal and Vertical Analysis of Financial Position 30 June 2021 vs 31 December 2020						
Amounts in ₱0.00	**30 June 2021 (Audited)**	**31 December 2020 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**30 June 2021 (Audited)**	**31 December 2020 (Audited)**
			Amount	***Percentage***		
Liabilities and Equity						
Accounts payable and accrued expenses	6,728,056	578,288	6,149,768	1,063.44%	0.80%	0.87%
Due to related parties	22,792,348	17,387,923	5,404,425	31.08%	2.72%	26.15%
Current portion of lease liabilities	14,004,465	4,311,742	9,692,723	224.80%	1.67%	6.49%
Total Current Liabilities	**43,524,869**	**22,277,953**	**21,246,916**	95.37%	5.20%	33.51%
Lease liabilities – Net of current portion	275,521,361	42,988,010	232,533,351	540.93%	32.91%	64.66%
Deferred income tax liability	904,291	-	904,291	100.00%	0.11%	0.00%
Total Noncurrent Liabilities	276,425,652	42,988,010	233,437,642	543.03%	33.02%	64.66%
Total Liabilities	**319,950,521**	**65,265,963**	**254,684,558**	390.23%	38.21%	98.17%
Common stock	542,435,000	1,000,000	541,435,000	54143.50%	64.79%	1.50%
Additional paid-in capital	-	21,250,000	(21,250,000)	-100.00%	0.00%	31.96%
Deficit	(25,136,660)	(21,034,193)	(4,102,467)	19.50%	-3.00%	-31.64%
Total Equity (Capital Deficiency)	**517,298,340**	**1,215,807**	**516,082,533**	42447.73%	61.79%	1.83%
TOTAL LIABILITIES AND EQUITY	**837,248,861**	**66,481,770**	**770,767,091**	1159.37%	100.00%	100.00%

Cash

In 2021, the Company received a total of ₱541.44 million cash from its Parent Company as an additional subscription. Moreover, the Company paid a total consideration of ₱267.00 million and ₱270.00 million to PIC and LHHC, respectively, and presented it as Deposit for Land Acquisition. Regarding the additional lease, the Company made a two-year advanced payment of ₱18.68 million. This resulted in a decrease of cash account by 98.42% from ₱22.3 million as of year-end 2020 to ₱0.35 million as of 30 June 2021.

Other Current Assets

Other Current Assets increased by 3,640.20% from ₱20,750 as of year-end 2020 to ₱776,092 as of 30 June 2021. This was primarily due to the cash bond deposit recorded during the period in connection with the conversion of land titles under the Las Piñas Agro Industrial Corporation lease agreement.

Right-of-Use Assets

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all its rights and obligations under the 6 September 2016 Lease Agreement. The total annual lease payment is ₱9.4 million, net of tax.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one-year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject to renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

The Company recognizes ROU assets in this regard, which increased by 574.45% in 2021, from ₱44.15 million as of year-end 2020 to ₱297.75 million as of 30 June 2021.

Deposit for Land Acquisition

On 20 February 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on 3 March 2021, to secure land for future expansion in excess of the capacity contemplate for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to executive definitive agreements, e.g., DOAS, to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267.00 million, which represents the full payment.

On 19 April 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., DOAS to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270.00 million, which represents the full payment.

These advance payments for a total consideration of ₱537.00 million are presented as "Deposits for land acquisition" in the 30 June 2021 financial statements.

Other Noncurrent Assets

Increase in other noncurrent assets by 8,526.28% from ₱0.02 million as of year-end 2020 to ₱1.37 million as of 30 June 2021, is mainly attributed to the payment made by the Company on 6 May 2021, amounting to ₱0.82 million. The payment is for the gratuity fee on the new lease agreement entered in May 2021.

Accounts Payable and Accrued Expenses

In relation to the management contract entered in 2021, SPNEC recorded a payable to its Parent Company as of 30 June 2021, amounting to ₱3.88 million, net of applicable withholding tax. The Company also accrued documentary stamp tax related to the lease

agreements with an amount of ₱1.21 million. These transactions contributed to the increase of this account by 1,063.44% from ₱0.58 million as of year-end 2020 to ₱6.73 million as of 30 June 2021.

Due to Related Parties

The Company, in the normal course of business, has transactions with its Parent Company, SPPPHI. This account increased by 31.08% in 2021 from ₱17.39 million as of year-end 2020 to ₱22.79 million as of 30 June 2021. The proceeds of the advances were used for payment of the Company's pre-operating expenses such as lease payments, taxes and licenses, research and development cost, audit fees, and other project-related costs. These advances are unsecured, non-interest bearing, due and demandable.

Lease Liabilities

In 2019, the Company entered into a land lease agreement dated 1 February 2019 with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with a one-year rent-free period plus 25-year term. Further, the lease is subject for renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. As of 30 June 2021, the total lease liability recognized for the 1 February 2019 land lease agreement is ₱47.68 million.

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the 6 September 2016 Lease Agreement to the assignee. In April 2021, the Company and the lessor executed an Addendum amending Section 4.1 (Annual Rental) and Section 4.2 (Advance Rental) of the 6 September 2016 lease agreement and agreed that the lease commencement date shall be on 31 March2021 for the parcels of land with a total area of 169.86 hectares. The total annual lease payment is ₱9.4 million, net of tax.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one-year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject to renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

With the recognition of these additional leases during 2021, the lease liability has increased by 512.11% from ₱47.30 million to ₱289.53 million.

Deferred Tax Liability

With the recognition of the additional leases during 2021, the Company also recognized deferred tax liability of ₱0.9 million as of 30 June 2021, arising from the differences on between accounting and tax treatment of assets and liabilities that resulted in future taxable differences.

Capital Stock and Additional Paid-in Capital

On 14 December 2020, the Board of Directors approved the decrease in the par value from One Peso (₱1.00) per share to Ten Centavos (₱0.10) per share without decrease in ACS and without returning any portion of the subscribed capital to the Company's stockholders, thereby making the ACS to One Million Pesos (₱1,000,000.00) divided into Ten Million (10,000,000) shares.

On 14 December 2020, the Board of Directors also approved the increase in its ACS from One Million Pesos (₱1,000,000.00) divided into One Million (1,000,000) common shares to One Billion Pesos (₱1,000,000,000.00) divided into Ten Billion (10,000,000,000) common shares.

In February and March 2021, the Company received from its Parent Company a total subscription of ₱268.44 million or 2,684.4 million shares with ₱0.10 par value.

On 3 March 2021, the Board of Directors approved to apply the APIC of ₱21.25 million against the deficit as of 31 December 2020 amounting to ₱21.03 million.

On 18 March 2021, the Company has filed with the SEC the following:

- Decrease in par value of common stock from ₱1.00 per share to ₱0.10 per share;
- Increase authorized common stock from ₱1.0 million to ₱1,000 million; and
- Application of APIC to deficit amounting to ₱21.03 million.

On 11 May 2021, SEC approved the Company's application to fully wipe-out the deficit as of 31 December 2020, in the amount of ₱21.03 million against the APIC of ₱21.25 million. Subsequently, on 25 May 2021, the Company received SEC approval to decrease the par value from ₱1.00 per share to ₱0.10 per share and increase its authorized common stock from ₱1 million to ₱1,000 million.

In April and May 2021, the Company received additional subscription from its Parent Company totaling to ₱273 million for 2,730 million shares at par value of ₱0.10 per share.

As of 30 June 2021, 5,424.4 million common shares are issued and outstanding with an amount of ₱542.44 million presented as Capital Stock. Total stock issuance cost incurred amounted to ₱7.4 million of which ₱0.22 million was applied against APIC while the remaining ₱7.22 million was charged against deficit.

Deficit

In 2021, deficit deteriorated by 19.50% from ₱21.03 million as of year-end 2020 to ₱25.14 million as of 30 June 2021. This is primarily due to the net losses incurred during the period and stock issuance costs directly charged against deficit amounting to ₱17.91 million and ₱7.22 million, respectively

On 3 March 2021, the Board approved to apply the APIC of ₱21.25 million to deficit as of 31 December 2020, amounting to ₱21.03 million and was approved by SEC on 11 May 2021.

Full-year ended 31 December 2020 vs. Full-year ended 31 December 2019

Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2020 compared to the Statement of Comprehensive Income for the year ended 31 December 2019 (increase/ decrease of 5% or more)

Table 42: Horizontal and Vertical Analysis of Comprehensive Income 31 December 2020 vs 31 December 2019						
Amounts in ₱0.00	**31 December 2020 (Audited)**	**31 December 2019 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**31 December 2020 (Audited)**	**31 December 2019 (Audited)**
			Amount	***Percentage***		
Interest Income	286	895	(609)	-68.04%	0.00%	0.01%
Expenses						
Interest accretion of lease liabilities	4,047,540	4,049,803	(2,263)	-0.06%	45.54%	38.93%
Bid Related Cost	1,909,091	-	1,909,091	100.00%	21.48%	0.00%
Amortization of ROU assets	1,839,457	1,839,457	-	0.00%	20.70%	17.68%
Professional fee	913,889	2,429,971	(1,516,082)	-62.39%	10.28%	23.36%
Provision for impairment loss	109,091	14,243	94,848	665.93%	1.23%	0.14%
Taxes and licenses	8,615	28,634	(20,019)	-69.91%	0.10%	0.28%
Transportation and travel	150	796,506	(796,356)	-99.98%	0.00%	7.66%
Meals and per diem	-	450,267	(450,267)	-100.00%	0.00%	4.33%
Rent expense	-	628,628	(628,628)	-100.00%	0.00%	6.04%
Representation	-	35,453	(35,453)	-100.00%	0.00%	0.34%
Others	60,680	130,998	(70,318)	-53.68%	0.68%	1.26%
Total Expenses	**8,888,513**	**10,403,960**	**(1,515,447)**	-14.57%	100.00%	100.01%
LOSS BEFORE INCOME TAX	**8,888,227**	**10,403,065**	**(1,514,838)**	-14.56%	100.00%	100.00%
Deferred income tax	-	-	-	0.00%	0.00%	0.00%
NET LOSS	**8,888,227**	**10,403,065**	**(1,514,838)**	-14.56%	100.00%	100.00%
TOTAL COMPREHENSIVE LOSS	**8,888,227**	**10,403,065**	**(1,514,838)**	-14.56%	100.00%	100.00%

Interest Income

As the Company was still in the pre-operational stage in 2019 and 2020, the Company's cash was parked in banks from which it earns interest. As cash balances were mostly lower in 2020 than in 2019, except for when it received the subscription subject of the increase in ACS on 14 December 2020, interest income declined by 68.04% during the year.

Expenses

During the year, the major expenses of the Company were as follows:

Table 43: Breakdown of Expenses 31 December 2020 vs. 31 December 2019				
Amounts in ₱millions	**2020 (Audited)**	**2019 (Audited)**	**Percentage to Total Net Loss as of 2020**	**Growth**
Interest accretion of lease liabilities	4.05	4.05	45.54%	-0.06%
Bid related cost	1.91	-	21.48%	100.00%
Amortization of ROU assets	1.84	1.84	20.70%	0.00%
Professional fee	0.91	2.43	10.28%	-62.39%

In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with one-year rent-free period plus 25 years term. Further, the lease is subject to renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. In this regard, the Company recognizes ROU assets and in effect, recognizes non-cash expenses relating to these ROU assets. Interest expense and amortization amounted to ₱4.05 million and ₱1.84 million in both full years 2019 and 2020, respectively.

During 2019, the Company incurred a one-time cost of ₱2.4 million recorded as professional fee for the system impact study on the proposed solar power plant in Peñaranda, Nueva Ecija. In 2020, the Company paid Engineering and Environmental Services an amount of ₱0.9 million for the Environmental Compliance Certificate. This resulted in a decrease of the professional fee account by 62.39%.

Bid related cost recorded in 2020 pertained to the Company's payments to Meralco as participation fee on Meralco's CSP for 1,800 MW net contract capacity and NEECO as bid security on NEECO II CSP for the supply of 37 MW baseload requirement. Of the two, the Company proceeded to bid on the NEECO II CSP, which the Company failed to win.

Net Loss

As the Company has not yet started commercial operations in 2020, the Company booked net losses amounting to ₱8.89 million, an improvement of 14.56% against the ₱10.4 million booked in 2019.

Material Changes to the Statement of Financial Position as of 31 December 2020 compared to the Statement of Financial Position as of 31 December 2019 (increase/ decrease of 5% or more)

Table 44: Horizontal and Vertical Analysis of Financial Position 31 December 2020 and 31 December 2019						
Amounts in ₱0.00	**31 December 2020 (Audited)**	**31 December 2019 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**31 December 2020 (Audited)**	**31 December 2019 (Audited)**
			Amount	***Percentage***		
Assets						
Cash	22,298,155	713,743	21,584,412	3,024.12%	33.54%	1.53%
Other current assets	25,370	20,750	4,620	22.27%	0.04%	0.04%
Total Current Assets	**22,323,525**	**734,493**	**21,589,032**	2,939.31%	33.58%	1.57%

Table 44: Horizontal and Vertical Analysis of Financial Position 31 December 2020 and 31 December 2019						
Amounts in ₱0.00	**31 December 2020 (Audited)**	**31 December 2019 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**31 December 2020 (Audited)**	**31 December 2019 (Audited)**
			Amount	***Percentage***		
Right-of-use assets	44,146,980	45,986,437	(1,839,457)	(4.00%)	66.40%	98.40%
Other noncurrent assets	11,265	11,265	-	0.00%	0.02%	0.02%
Total Noncurrent Assets	**44,158,245**	**45,997,702**	**(1,839,457)**	-4.00%	66.42%	98.43%
TOTAL ASSETS	**66,481,770**	**46,732,195**	**19,749,575**	42.26%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	578,288	583,084	(4,796)	(0.82%)	0.87%	1.25%
Due to related parties	17,387,923	10,668,623	6,719,300	62.98%	26.15%	22.83%
Current portion of lease liabilities	4,311,742	4,311,742	-	0.00%	6.49%	9.23%
Total Current Liabilities	**22,277,953**	**15,563,449**	**6,714,504**	43.14%	33.51%	33.30%
Lease liabilities - Net of current portion	42,988,010	43,252,212	(264,202)	-0.61%	64.66%	92.55%
Total Noncurrent Liabilities	42,988,010	43,252,212	(264,202)	-0.61%	64.66%	92.55%
Total Liabilities	**65,265,963**	**58,815,661**	**6,450,302**	10.97%	98.17%	125.86%
Capital stock	1,000,000	62,500	937,500	1,500.00%	1.50%	0.13%
Additional paid-in capital	21,250,000	-	21,250,000	100.00%	31.96%	0.00%
Deficit	(21,034,193)	(12,145,966)	(8,888,227)	73.18%	-31.64%	-25.99%
Total Equity (Capital Deficiency)	**1,215,807**	**(12,083,466)**	**13,299,273**	-110.06%	1.83%	-25.86%
TOTAL LIABILITIES AND EQUITY	**66,481,770**	**46,732,195**	**19,749,575**	42.26%	100.00%	100.00%

Cash

Cash increased by 3,024.12% during the year from ₱0.71 million as of year-end 2019 to ₱22.30 million as of year-end 2020. This is mainly due to the cash subscription received by the Company from SPPPHI on 14 December 2020 for the issuance of 750,000 common shares.

Other Current Assets

Other Current Assets increased by 22.27% during the year from ₱20,750 as of year-end 2019 to ₱25,370 as of year-end 2020. This is primarily due to the deferred input VAT booked during the year amounting to ₱4,620 relating to audit fees.

Right-of-Use Assets

In 2019, the Company entered into a land lease agreement dated 1 February 2019 with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with a one-year rent-free period plus 25 years term. Further, the lease is subject to renewal of five years upon mutual

agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. The Company recognizes ROU assets in this regard, which declined by 4% in 2020 due to the amortization made in the asset for the year, from ₱45.99 million as of year-end 2019 to ₱44.15 million as of year-end 2020.

Due to Related Parties

The Company, in the normal course of business, has transactions with its Parent Company, SPPPHI. This account increased by 62.98% in 2020 from ₱10.67 million as of year-end 2019 to ₱17.39 million as of year-end 2020. The proceeds of the advances were used for payment of Company's leases, permits and licenses, and audit fees. These advances are unsecured, non-interest bearing, due and demandable.

Lease Liabilities

This was related to the adoption of PFRS 16 for the Company's land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The account decreased by 0.56%, which was caused by the lease payments during the year which amounted to ₱4.3 million and was partially offset by the accretion of interest on lease liabilities which amounted to ₱4.00 million.

Capital Stock

Capital stock increased by 300.00% from ₱250,000 as of year-end 31 December 2019 to ₱1.00 million as of 31 December 2020. This represents the payment of subscription receivable amounting to ₱187,500 during the year as well as the issuance of 750,000 shares during the period.

Additional Paid-in Capital (APIC)

On 14 December 2020, the Board approved the issuance of 750,000 shares for a total amount of ₱22.00 million for an issue price of ₱29.33 per share to the Parent Company. The amount in excess of the par value totaling to ₱21.25 million is presented under this account.

Subscription Receivable

In December 2020, the Company collected the outstanding subscription receivable amounting to ₱187,500 from the Parent Company. As of 31 December 2020, this account is zero.

Deficit

As of 31 December 2020, deficit worsened by 73.1% from ₱12.15 million as of year-end 2019 to ₱21.03 million as of year-end 2020. This is primarily due to the net losses incurred during the period amounting to ₱8.89 million.

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Full-year ended 31 December 2019 vs. Full-year ended 31 December 2018

Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2019 compared to the Statement of Comprehensive Income for the year ended 31 December 2018 (increase/decrease of 5% or more)

Table 45: Horizontal and Vertical Analysis of Comprehensive Income 31 December 2019 vs 31 December 2018						
Amounts in ₱0.00	**31 December 2019 (Audited)**	**31 December 2018 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**31 December 2019 (Audited)**	**31 December 2018 (Audited)**
			Amount	***Percentage***		
Interest Income	895	389	506	130.08%	0.01%	0.06%
Expenses						
Interest accretion of lease liabilities	4,049,803	-	4,049,803	100.00%	38.93%	0.00%
Amortization of ROU assets	1,839,457	-	1,839,457	100.00%	17.68%	0.00%
Professional fee	2,429,971	118,250	2,311,721	1,954.94%	23.36%	17.05%
Provision for impairment loss	14,243	4,620	9,623	208.29%	0.14%	0.67%
Taxes and licenses	28,634	88,554	(59,920)	-67.66%	0.28%	12.77%
Transportation and travel	796,506	72,136	724,370	1,004.17%	7.66%	10.40%
Inspection and zoning fee	-	327,600	(327,600)	-100.00%	0.00%	47.24%
Representation	35,453	9,814	25,639	261.25%	0.34%	1.42%
Meals and per diem	450,267	45,021	405,246	900.13%	4.33%	6.49%
Rentals	628,628	-	628,628	100.00%	6.04%	0.00%
Others	130,998	27,854	103,144	370.30%	1.26%	4.02%
Total Expenses	**10,403,960**	**693,849**	**9,710,111**	1,399.46%	100.01%	100.06%
LOSS BEFORE INCOME TAX	**10,403,065**	**693,460**	**9,709,605**	1,400.17%	100.00%	100.00%
Deferred income tax	-	-	-	0.00%	0.00%	0.00%
NET LOSS	**10,403,065**	**693,460**	**9,709,605**	1,400.17%	100.00%	100.00%
TOTAL COMPREHENSIVE LOSS	**10,403,065**	**693,460**	**9,709,605**	1,400.17%	100.00%	100.00%

Interest Income

As the Company was still in the pre-operational stage in 2018 and 2019, the Company's cash was parked in banks from which it earns interest. As average cash balances were mostly higher in 2019 than in 2018, interest income increased by 130.08% during the year.

Expenses

During the year, the major expenses of the Company were as follows:

Table 46: Breakdown of Expenses 31 December 2019 vs. 31 December 2018				
Amounts in ₱millions	**2019 (Audited)**	**2018 (Audited)**	**Percentage to Total Net Loss as of 2019**	**Growth**
Interest accretion of lease liabilities	4.05	-	38.93%	100%
Professional fee	2.43	0.12	23.36%	1,954.94%
Amortization of ROU assets	1.84	-	17.68%	100%
Transportation and travel	0.80	0.07	7.66%	1,004.17%

In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with one-year rent-free period plus 25 years term. Further, the lease is subject to renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. In this regard, the Company recognizes ROU assets and in effect, recognizes non-cash expenses relating to these ROU assets. Interest expense and amortization amounted to ₱4.05 million and ₱1.84 million in 2019, respectively.

During 2019, the Company incurred a one-time cost of ₱2.4 million recorded as professional fee for the system impact study on the proposed solar power plant in Peñaranda, Nueva Ecija. In 2018, the professional fee mainly pertained to audit fees incurred by the Company.

Transportation and travel significantly increased in 2019 due to the various location site visits made by the Company in Nueva Ecija to negotiate and acquire land.

Net Loss

As the Company entered into a new lease agreement in 2019, the Company booked higher net loss for the year ended 31 December 2019 amounting to ₱10.4 million, an increase of 1,400.17% from the net loss of ₱0.69 million booked in the year ended 31 December 2018.

Material Changes to the Statement of Financial Position as of 31 December 2019 compared to the Statement of Financial Position as of 31 December 2018 (increase/decrease of 5% or more)

Table 47: Horizontal and Vertical Analysis of Financial Position 31 December 2019 and 31 December 2018

Amounts in ₱0.00	31 December 2019 (Audited)	31 December 2018 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		31 December 2019 (Audited)	31 December 2018 (Audited)
			Amount	*Percentage*		
Assets						
Cash	713,743	3,148,283	(2,434,540)	-77.33%	1.53%	7.42%
Other current assets	20,750	19,751	999	5.06%	0.04%	0.05%
Total Current Assets	**734,493**	**3,168,034**	**(2,433,541)**	-76.82%	1.57%	7.47%
Right-of-use assets	45,986,437	-	45,986,437	100.00%	98.40%	0.00%
Deposit for land acquisition	-	34,926,712	(34,926,712)	-100.00%	0.00%	82.36%
Other noncurrent assets	11,265	4,311,742	(4,300,477)	-99.74%	0.03%	10.17%
Total Noncurrent Assets	**45,997,702**	**39,238,454**	**6,759,248**	17.23%	98.43%	92.53%
TOTAL ASSETS	**46,732,195**	**42,406,488**	**4,325,707**	10.20%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	583,084	56,564	526,520	930.84%	1.25%	0.13%
Due to related parties	10,668,623	44,030,325	(33,361,702)	-75.77%	22.83%	103.83%
Current portion of lease liabilities	4,311,742	-	4,311,742	100.00%	9.23%	0.00%
Total Current Liabilities	**15,563,449**	**44,086,889**	**(28,523,440)**	-64.70%	33.31%	103.96%
Lease liabilities - Net of current portion	43,252,212	-	43,252,212	100.00%	92.55%	0.00%

Table 47: Horizontal and Vertical Analysis of Financial Position 31 December 2019 and 31 December 2018						
Amounts in ₱0.00	**31 December 2019 (Audited)**	**31 December 2018 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**31 December 2019 (Audited)**	**31 December 2018 (Audited)**
			Amount	***Percentage***		
Total Noncurrent Liabilities	**43,252,212**	**-**	**43,252,212**	**100.00%**	**92.55%**	**0.00%**
Total Liabilities	**58,815,661**	**44,086,889**	**14,728,772**	33.41%	125.86%	103.96%
Common stock	62,500	62,500	-	0.00%	0.13%	0.15%
Deficit	(12,145,966)	(1,742,901)	(10,403,065)	596.88%	-25.99%	-4.11%
Total Equity (Capital Deficiency)	**(12,083,466)**	**(1,680,401)**	**(10,403,065)**	619.08%	-25.86%	-3.96%
TOTAL LIABILITIES AND EQUITY	**46,732,195**	**42,406,488**	**4,325,707**	10.20%	100.00%	100.00%

Cash

Cash decreased by 77.33% during the year from ₱3.15 million as of year-end 2018 to ₱0.71 million as of year-end 2019. This is mainly due to the advance rental paid to various landowners for the lease of land with a total area of 95.8 hectares.

Other Current Assets

This account increased by 5.06% from ₱19,751 as of year-end 2018 to ₱20,750 as of year-end 2019 primarily due to the additional cash advance subject for liquidation as at year end 2019.

Right-of-Use Assets

In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on 1 January 2019 with a one-year rent-free period plus 25 years term. Further, the lease is subject to renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. The Company recognizes ROU assets in this regard, amounted to ₱46.0 million as of year-end 2019.

Deposit for Land Acquisition

In 2019, the Company rescinded, through various mutual rescissions, the original Contract to Sell between the Company and landowners amounting to ₱34.9 million, since the management assessed that the said parcels of land are to be subsequently acquired by the Parent Company. The Parent Company and the same landowners subsequently executed new Contracts to Sell. The deposits paid by the Company to the landowners amounting to ₱34.9 million were offset against the due to Parent Company as reimbursements for the rescinded contracts.

Other Non-Current Assets

In 2018, the Company entered into a land lease agreement with various landowners and made an advanced payment of ₱4.3 million presented as Other Noncurrent Assets in the Company's statements of financial position. Effective 1 January 2019, the Company adopted a new

accounting pronouncement related to leases, from PAS 17 to PFRS 16. As a result of this, the ₱4.3 million was included in the computation and presented separately as Right-of-Use assets.

Accounts Payable and Accrued Expenses

This account increased by 930.84% from ₱56,564 as of year-end 2018 to ₱583,084 as of year-end 2019 mainly due to the recognition of accounts and withholding tax payable related to technical studies and fieldwork related expenses that were mostly car rentals.

Due to Related Parties

Prior to 2019, the Company made payments to various landowners amounting to ₱34.9 million as deposits for land acquisition. In 2019, the Company rescinded all Contract to Sell related to these payments and assessed that the said parcels of land are to be subsequently acquired by the Parent Company. New Contracts to Sell were subsequently executed between the Parent Company and the same landowners. The deposits paid to the landowners amounting to ₱34.9 million were offset against the due to Parent Company as reimbursements for the rescinded contracts.

Lease Liabilities

This relates to the Company's land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares, the recognition of ROU assets is countered by booking of Lease liabilities. This account contributed to 80.87% of Total Liabilities as of year-end 2019, amounted to ₱47.6 million.

Deficit

As of 31 December 2019, deficit deteriorated by 596.88% from ₱1.74 million as of year-end 2018 to ₱12.15 million as of year-end 2019. This is primarily due to the net loss incurred during the period amounting to ₱10.4 million.

Full-year ended 31 December 2018 vs. Full-year ended 31 December 2017

Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2018 compared to the Statement of Comprehensive Income for the year ended 31 December 2017 (increase/decrease of 5% or more)

Table 48: Horizontal and Vertical Analysis of Comprehensive Income 31 December 2018 vs 31 December 2017

Amounts in ₱0.00	31 December 2018 (Audited)	31 December 2017 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		31 December 2018 (Audited)	31 December 2017 (Audited)
			Amount	*Percentage*		
Interest income	389	81	308	380.25%	0.06%	0.01%
Expenses						
Bid related cost	-	112,000	(112,000)	-100.00%	0.00%	13.86%
Professional fee	118,250	43,116	75,134	174.26%	17.05%	5.34%
Provision for impairment loss	4,620	214	4,406	2,058.88%	0.67%	0.03%
Taxes and licenses	88,554	140,708	(52,154)	-37.07%	12.77%	17.41%
Transportation and travel	72,136	341,535	(269,399)	-78.88%	10.40%	42.27%
Staff and meal costs	45,021	105,224	(60,203)	-57.21%	6.49%	13.02%

Table 48: Horizontal and Vertical Analysis of Comprehensive Income 31 December 2018 vs 31 December 2017						
Amounts in ₱0.00	**31 December 2018 (Audited)**	**31 December 2017 (Audited)**	**Horizontal Analysis Increase/(Decrease)**		**Vertical Analysis**	
			Amount	***Percentage***	**31 December 2018 (Audited)**	**31 December 2017 (Audited)**
Representation	9,814	39,909	(30,095)	-75.41%	1.42%	4.94%
Site and zoning fee	327,600	-	327,600	100.00%	47.24%	0.00%
Others	27,854	25,366	2,488	9.81%	4.02%	3.14%
Total Expenses	**693,849**	**808,072**	**(114,223)**	-14.14%	100.06%	100.01%
LOSS BEFORE INCOME TAX	**693,460**	**807,991**	**(114,531)**	-14.17%	100.00%	100.00%
Deferred income tax	-	-	-	100.00%	0.00%	0.00%
NET LOSS	**693,460**	**807,991**	**(114,531)**	-14.17%	100.00%	100.00%
TOTAL COMPREHENSIVE LOSS	**693,460**	**807,991**	**(114,531)**	-14.17%	100.00%	100.00%

Interest Income

As the Company was still in the pre-operational stage in 2017 and 2018, the Company's cash was parked in banks from which it earns interest. As average cash balances were mostly higher in 2018 than in 2017, interest income increased by 380.25% during the year.

Expenses

During the year, the major expenses of the Company were as follows:

Table 49: Breakdown of Expenses 31 December 2018 vs. 31 December 2017				
Amounts in ₱millions	**2018 (Audited)**	**2017 (Audited)**	**Percentage to Total Net Loss as of 2018**	**Growth**
Transportation and travel	0.07	0.34	10.40%	-78.88%
Staff and meal costs	0.05	0.11	6.49%	-57.21%
Taxes and licenses	0.09	0.14	12.77%	-37.07%
Bid participation fee	-	0.11	0.00%	-100.00%
Professional fee	0.12	0.04	17.05%	174.26%

In 2017, the Company made various site visits in Nueva Ecija to acquire land in the area. The Company incurred expenses related to this including transportation, staff and meal costs, and taxes and licenses. In 2018, these site visits and fieldwork expenses were paid and recognized in the Parent Company's books resulting in a significant decrease on the said accounts.

Professional fee for both years include audit fee, and in 2018, the Company incurred a one-time cost of ₱0.08 million as payment for energy yield assessment fee.

Bid participation fee also decreased due to the one-time expense incurred in the year 2017.

Net Loss

As the Company has not started commercial operations in 2018, the Company booked net losses amounting to ₱0.69 million, an improvement of 14.17% against the ₱0.81 million booked in 2017.

Material Changes to the Statement of Financial Position as of 31 December 2018 compared to the Statement of Financial Position as of 31 December 2017 (increase/ decrease of 5% or more)

Table 50: Horizontal and Vertical Analysis of Financial Position 31 December 2018 and 31 December 2017						
Amounts in ₱0.00	**31 December 2018 (Audited)**	**31 December 2017 (Audited)**	**Horizontal Analysis**		**Vertical Analysis**	
			Increase/(Decrease)		**31 December 2018 (Audited)**	**31 December 2017 (Audited)**
			Amount	***Percentage***		
Assets						
Cash	3,148,283	124,731	3,023,552	2,424.06%	7.42%	0.38%
Other current assets	19,751	-	19,751	100.00%	0.05%	0.00%
Total Current Assets	**3,168,034**	**124,731**	**3,043,303**	2,439.89%	7.47%	0.38%
Deposit for land acquisition	34,926,712	32,926,712	2,000,000	6.07%	82.36%	99.62%
Other noncurrent assets	4,311,742	-	4,311,742	100.00%	10.17%	0.00%
Total Noncurrent Assets	**39,238,454**	**32,926,712**	**6,311,742**	19.17%	92.53%	99.62%
TOTAL ASSETS	**42,406,488**	**33,051,443**	**9,355,045**	28.30%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	56,564	76,089	(19,525)	-25.66%	0.13%	0.23%
Due to related parties	44,030,325	33,962,295	10,068,030	29.64%	103.83%	102.76%
Total Current Liabilities	**44,086,889**	**34,038,384**	**10,048,505**	29.52%	103.96%	102.99%
Total Liabilities	**44,086,889**	**34,038,384**	**10,048,505**	29.52%	103.96%	102.99%
Capital stock	62,500	62,500	-	0.00%	0.15%	0.19%
Deficit	(1,742,901)	(1,049,441)	(693,460)	66.08%	-4.11%	-3.18%
Total Equity (Capital Deficiency)	**(1,680,401)**	**(986,941)**	**(693,460)**	70.26%	-3.96%	-2.99%
TOTAL LIABILITIES AND EQUITY	**42,406,488**	**33,051,443**	**9,355,045**	28.30%	100.00%	100.00%

Cash

During 2018, the Company received advances from its Parent Company amounting to ₱10.1 million, in which the proceeds were used to pay the Company's pre-operating expenses, advanced lease payment, and additional deposits for land acquisition with a total amount of ₱6.9 million. This resulted in an increased of cash by 2,424.06% from ₱0.12 million as of 31 December 2017 to ₱3.15 million as of 31 December 2018.

Other Current Assets

Relating to the site visits in the Province of Nueva Ecija in 2018, SPNEC made advances to its Parent Company's employees, subject to liquidation. The Company also paid a cash bond deposit as a required performance bond in Nueva Ecija's solar power project.

Deposit for Land Acquisition

As of 31 December 2017 and 2018, the Company has made deposits for land acquisitions to various landowners amounting to ₱32.9 million and ₱34.9 million, respectively. These deposits were used for the acquisition of parcels of land located in Nueva Ecija.

Due to Related Parties

In 2018, SPNEC, in the normal course of business, received advances from its Parent Company amounting to ₱10.1 million. The proceeds of these advances were used for payment of the Company's deposits for land acquisition, lease payments and pre-operating expenses including taxes, permits, audit fees, and transportation expenses.

Prepaid Rent

In 2018, the Company entered into a land lease agreement with various landowners and made an advanced payment of ₱4.3 million presented as Prepaid Rent in the Company's statements of financial position.

Accounts Payable and Accrued Expenses

In 2017, SPNEC's Parent Company's employees incurred expenses related to site visits in the province of Nueva Ecija. Subject to reimbursement as at year-end, the Company recorded and presented it as Accrued Expenses which were paid in the subsequent year. This also includes accrual of audit fee. The account decreased by 25.66% from ₱0.08 million as of 31 December 2017 to ₱0.06 million as of 31 December 2018.

Deficit

As of 31 December 2018, deficit deteriorated by 66.08% from ₱1.00 million as of year-end 2017 to ₱1.74 million as of year-end 2018. This is primarily due to the net loss incurred during the period amounting to ₱0.7 million.

Aside from the discussion above, as of and for the full years ended 31 December 2017, 2018, 2019, and 2020, six-months ended 30 June 2021, and the year ended 30 June 2022:

- There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion.
- The Company is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.
- It is not aware of any event that would trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or profit from continuing operations.
- The Company is not aware of any significant elements of profit and loss that did not arise from the Company's continuing operations.
- The Company is not aware of any seasonal aspects that had a material effect on its financial condition or results of operations.

Key Performance Indicators

As the Company has not yet started commercial operations, its key performance indicators are limited to the following:

Table 51: Key Performance Indicators						
	31 Dec. 2017 (Audited)	**31 Dec. 2018 (Audited)**	**31 Dec. 2019 (Audited)**	**31 Dec. 2020 (Audited)**	**30 June 2021 (Audited)**	**30 June 2022 (Audited)**
Current Ratio	0.37%	7.19%	4.72%	100.20%	2.59%	3,593.36%
Debt to Equity Ratio*	n.a.	n.a.	n.a.	5,368.12%	61.85%	10.72%

**Debt to Equity ratio is not applicable to 2017 to 2019 since this will result in negative values*

The Current ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity

The debt-to-equity ratio is used to evaluate Company's financial leverage and is calculated by dividing the Company's total liabilities by its shareholder's equity. The result is expressed in percentage. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds.

Changes in and Disagreements with Auditors on Accounting and Financial Disclosures

SGV & Co. has acted as the Company's external auditors since its incorporation.

The audited financial statements of the Company as of 31 December 2018, 2019, and 2020, and 30 June 2021, and 31 March 2022 and for the years ended 31 December 2018, 2019, and 2020, and for the six-month periods ended 30 June 2020 and 2021, and for the years ended 30 June 2022 and 2021 have been audited by SGV & Co., a member firm of Ernst & Young Global Limited, independent auditors, as set forth in their report appearing herein.

The Company has not had any material disagreements on accounting matters or financial disclosure matters with SGV & Co.

There are no plans to change independent auditors for the succeeding years.

Other Forms of Financial Resource Flows

Post Offer, the Company will remain a subsidiary of SPPPHI. At the discretion of and upon approval of the respective Board of Directors of SPNEC and SPPPHI, the Company may receive advances from the SPPPHI as either debt or as deposits for future stock subscriptions subject to any covenants, conditions or prohibitions imposed on the Company under any financing documents.

If SPPPHI and SPNEC agree that such advances are for future stock subscription, the conversion of such into outstanding common shares shall not prejudice in any way or form the subscription rights of other shareholders and shall be done in accordance with prevailing rules and regulations of the SEC and the PSE.

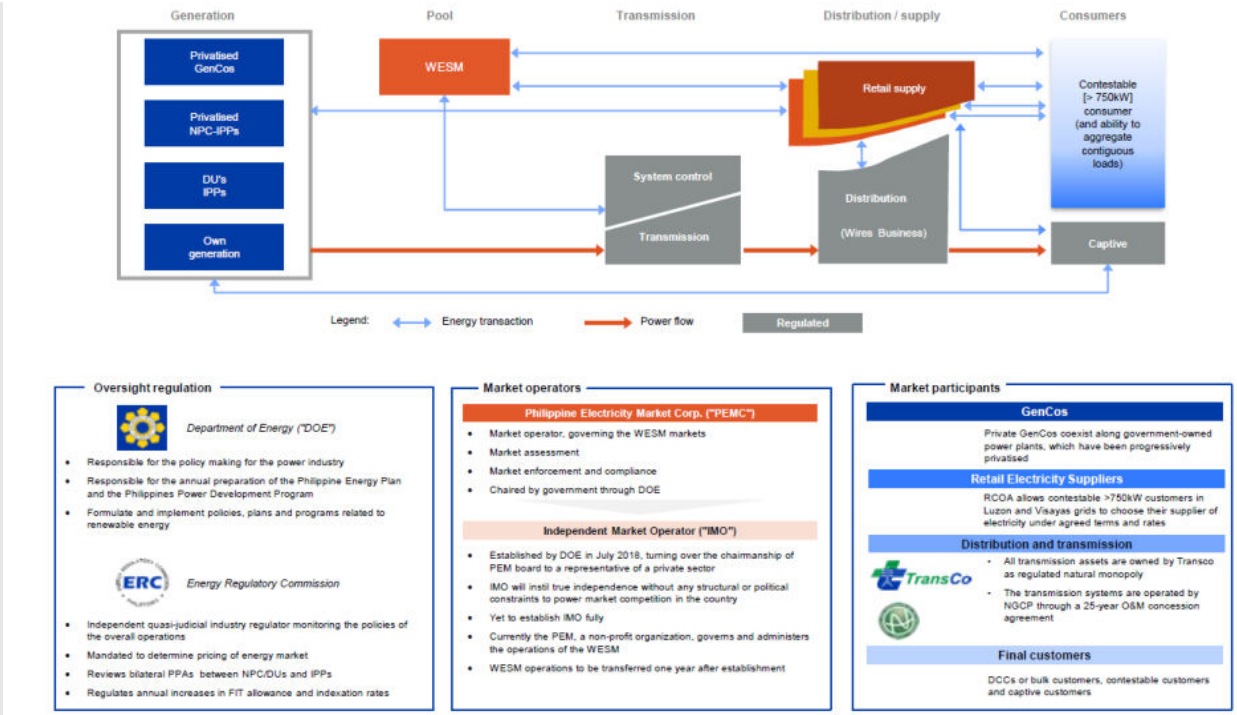
As of 30 June 2022, the Company's audited financial statements include advances from SPPPHI in the amount of ₱22,792,348.

Apart from dividends, subject to any covenants, conditions or prohibitions imposed on the Company under any financing documents, the Company upon approval of the Board of Directors, may also make cash advances to SPPPHI; provided that such advances shall also not infringe on the ability of the Company to declare its annual dividend payments. In recovering the advances made by the Company to SPPPHI and subject to any covenants, conditions or prohibitions imposed on the Company under any financing documents, SPNEC will have the option to cause the amounts advanced to be offset against the SPPPHI's portion of any dividends declared.

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REGULATORY FRAMEWORK

Figure 21: Philippine Power Market Governance and Structure



Philippine Constitution

Lands of the public domain are classified as follows: (a) agricultural; (b) forest or timber; (c) mineral lands; and (d) national parks. Agricultural lands may be further classified by law according to the uses for which they may be devoted. Of the classes of public lands, only agricultural lands may be alienated.

Ownership of agricultural land is limited to natural persons who are Filipino citizens. A private corporation or association may only lease an agricultural land for a period not exceeding twenty-five (25) years, renewable for a period not exceeding twenty-five (25) years, and not to exceed one thousand (1,000) hectares in area.

A natural person who is a Filipino citizen may lease an agricultural land of an area not exceeding five hundred (500) hectares or acquire an area not exceeding twelve (12) hectares by purchase, homestead, or grant.

On the other hand, except in cases of hereditary succession, private lands may only be transferred or conveyed to individuals, corporations, or associations subject to qualifications and limitations provided by law.

Finally, the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least 60% of it is owned by Filipinos. These agreements may be for a

period not exceeding twenty-five (25) years, renewable for not more than twenty-five (25) years, and under such terms and conditions as may be provided by law.

Foreign Investments Act

Republic Act No. 7042 or the Foreign Investments Act of 1991 (FIA) liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the Negative List) signed on 29 October 2018. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining, and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Likewise, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development, and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

A Philippine National is defined under the law to mean any of the following: (a) a citizen of the Philippines; (b) a domestic partnership or association wholly-owned by citizens of the Philippines; (c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; (d) a corporation organized abroad and registered as doing business in the Philippines under the RCC of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or (e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippines national and at least 60% of the fund will accrue to the benefit of the Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a wholly Filipino-owned corporation.

Revised Corporation Code of the Philippines

For an enterprise organized for holding property to be incorporated and duly registered under Philippine law, it must register with the SEC and comply with the ownership requirements provided under applicable laws. Republic Act No. 11232 or the Revised Corporation Code is the primary law governing private corporations. The SEC is the primary government regulatory agency tasked to implement and administer the RCC. Among the salient features of the RCC are:

a. Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the RCC, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation;
b. The RCC allows the creation of a "One Person Corporation" (OPC), which is a corporation composed of a single stockholder, provided that, only natural person, trust, or an estate may form it. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws;
c. Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same;
d. The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and
e. In case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The RCC refers to the Philippine Competition Act (PCA) in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock; incurring creating or increasing bonded indebtedness; or mergers or consolidations that fall within the PCA thresholds.

Philippine Competition Act and its Implementing Rules and Regulations

Republic Act No. 10667 or the PCA authorizes the Philippine Competition Commission or the PCC to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations, as amended, and the Rules on Merger Procedure (collectively, the Merger Rules) provide for mandatory notification to the PCC of any merger or acquisition within 30 days of signing any definitive agreement relating to the transaction, where the transaction value exceeds ₱2.4 billion; and where the size of the ultimate parent entity, including the entities directly or indirectly controlled by the ultimate parent entity of either party exceeds ₱6 billion. Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void and will subject the parties to a fine ranging from 1% to 5% of the value of the transaction. Anti-competitive agreements, as defined under the law, are subject to penalties that include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities that engage in anti- competitive agreements, abuse their dominant

position, and conclude prohibited mergers and acquisitions. Treble damages may be imposed where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from 15 September 2020. A transaction is considered "entered into" upon signing by the parties of the definitive agreement.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4(eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

a. Both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and
b. The transaction is entered into prior to the effectivity of the Bayanihan 2 act and exceeds the thresholds applicable.

Additionally, the Bayanihan Act 2 suspends PCC's power to motu proprio review mergers and acquisitions for one-year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one-year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

Energy Related Laws, Rules, and Regulations

Electric Power Industry Reform Act (EPIRA) 2001

Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA) established a framework for the organization and operation of the electric power industry in connection with its restructuring, with the industry divided into four sectors: generation, transmission, distribution, and supply. The structural reforms resulted among others in the creation of the PSALM and the TransCo.

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Through the EPIRA, the Philippine government began to institute major reforms with the goal of fully privatizing all aspects of the power industry. The major aspects of the reforms include the (a) restructuring of the entire power industry to introduce competition in the generation sector, (b) change from government to private ownership, and (c) introduction of a stable regulatory framework for the electricity sector.

With a view of implementing the EPIRA's objectives, the DOE, in consultation with the relevant government agencies, electric power industry participants, non-government organizations and electricity consumers, promulgated the EPIRA IRR on 27 February 2002.

The EPIRA IRR governs the relations among, and respective responsibilities of, the different electric power industry participants as well as the particular governmental authorities involved in implementing the structural reforms in the industry, namely the DOE, NPC, National Electrification Administration, ERC, and PSALM.

The Renewable Energy Act of 2008 and its Implementing Rules and Regulations

RA No. 9513, or the Renewable Energy Act of 2008, provides that it is the policy of the State to increase the development and utilization of RE resources such as, but not limited to, biomass, solar, wind, hydro, geothermal, and ocean energy sources, including hybrid systems, and to establish the necessary infrastructure and mechanism to carry this out. The DOE is the lead agency mandated to implement the Renewable Energy Act of 2008[47], in conjunction with the NREB.

A DOE Certificate of Registration is issued to RE Developers holding valid RE Service or Operating Contracts[48] upon application with the DOE. A DOE Certification shall be issued immediately upon the award of an RE Service/Operating Contract. Similarly, existing RE projects must be covered by a new RE Service/Operating Contract, pre-terminating and replacing any existing service contract with the DOE.[49]

The Renewable Energy Act of 2008 provides numerous incentives to RE developers, such as tax holidays, import duty exemptions, and special tax rates, among others. In order to qualify for these incentives, the RE developer must secure a Certificate of Endorsement from the DOE-REMB for every applicable transaction.

Wholesale Electricity Spot Market Rules

The WESM Rules establishes the basic rules, requirements, and procedures that govern the operation of the Philippine electricity market. The WESM Rules identifies and recognizes and sets the responsibilities of the Market Operator, System Operator, WESM Participants, and the Philippine Electricity Market Corporation (PEM) Board. These groups shall comply with and are bound by all the provisions of the WESM Rules. The WESM Rules are intended to be complimentary with the Grid Code and Distribution Code, all of which are meant to ensure the development of an appropriate, equitable and transparent electricity market, along with a safe, reliable, and efficient operation of the power system.

Under the WESM, RE developers are classified as a must-dispatch generating unit,[50] which grants them specific preferences as to the dispatch output and restrictions. These preferences are granted to intermittent RE-based generation plants such as wind, solar, run-of-river hydro, or ocean energy because they are dependent on a base supply of electricity but on the availability of the energy source.

[47] Section 5, Chapter II, R. A. 9513.
[48] The service agreement between the Government, through the President or the DOE, and an RE Developer over an appropriate period as determined by the DOE in which the RE Developer has the exclusive right to explore and develop a particular RE area. See discussion on Renewable Energy Service/Operating Contracts, p. 110.
[49] Section 18(A), Rule II, Part II, Rules and Regulations Implementing Republic Act No. 9513.
[50] Section 17 (F), Rules and Regulations Implementing Republic Act No. 9513.

Competitive Selection Process

In 2015, the ERC issued Resolution No. 13, Series of 2015 ensuring transparency in the DUs power supply procurement and providing opportunities for DUs to get the best price offers and other contractual terms. The resolution states that a PSA shall only be awarded to the winning generation company following a successful transparent CSP. A CSP is successful if the DU receives at least two qualified bids from entities with which the DU is not prohibited from entering into a contract for power supply, as provided under the EPIRA IRR. After two failed CSPs, a direct negotiation with interested party may be made by the DU. A CSP is considered failed when during its conduct, any of the following circumstances exist: (a) no proposal was received by the DU; (b) only one supplier submitted an offer; and (c) competitive offers of prospective suppliers failed to meet the requirements prescribed under the Terms of Reference, as determined by the DU Bids and Awards Committee.

In 2021, the DOE released an amended guideline on the conduct of CSPs through Department Circular No. DC 2021-09-0030, which introduced the Alternative Mode of Procurement exclusively for New Technology. A Power Supplier may submit an Unsolicited Proposal (USP) to a DU before any CSP bidding process has started provided that: (a) it must be consistent with the DU's latest and reviewed PSPP; (b) there is no on-going CSP for the same demand requirement of the DU; (c) the resulting PSA will not result in over-contracting on the part of the DU in terms of both capacity and energy requirements as indicated in the latest and duly reviewed Distribution Development Plant (DDP); and (d) the USP shall exclude any subsidy in the resultant PSA. If the USP is accepted after the Third Party Bids and Awards Committee (TPBAC) and DOE's evaluation, a competitive challenge shall be conducted for other power suppliers to tender their offers provided that they are responsive to the agreed Terms of Reference and the offer price is lower than that of the Original Proponent (OP). An Alternative Method of Procurement is considered failed when during its conduct, any of the following circumstances exists: (a) no comparative bid was received by the TPBAC; or (b) comparative bids failed to meet the requirements prescribed in the bid documents. The DU may directly negotiate with the OP after two failed comparative biddings and there are no outstanding disputes on the conducted bidding of the comparative proposal.

The following instances, when present, shall warrant a Certificate of Exemption from the DOE on the conduct of CSP based on the DC 2021-09-0030:

a. Any generation project funded by grants or donations, and will become fully owned, operated, and controlled by the DU within its franchise area, subject to ownership and market-share limitations as provided under relevant laws and issuances. The DU may be allowed to infuse internally generated funds; *Provided*, that the amount shared by the DU shall not exceed thirty percent (30%) of the total project cost excluding taxes to be paid by the DU; *Provided also*, that the generation project or facility shall be structurally and financially unbundled from the DU's business segment such that the generation rate from such project or facility can clearly be distinguished from the distribution rates of the DU; Provided finally, that the generation cost shall not be transferred or assigned to an affiliate or subsidiary Power Supplier of the DU;
b. Negotiated procurement of emergency power supply wherein the cooperation period of the corresponding Emergency Power Supply Agreement (EPSA) shall not exceed one-year, and such EPSA shall be filed immediately before the ERC upon the issuance and within the effectivity of the COE-CSP; *Provided*, that the DU shall prove and certify that it has performed all the necessary and required due diligence, and solicited proposal from at least

one power supplier for EPSA to address the emergency situation and to avert and/or mitigate its consequences, and the offer/s from the available Power Supplier/s shall be attached in the request for COE-CSP; *Provided also*, that the procurement of emergency power supply shall not be entitled to any form of subsidy. *Provided finally*, that the rate shall be equivalent to or lower than the latest ERC-approved generation tariff for same or similar technology in comparable areas;

c. Any generating plant to be embedded in the DU, utilizing indigenous energy resources in the franchise area of the DU, subject to ownership and market-share limitations as provided under relevant laws and issuances, unless it intends to sell generated power outside the embedded area, in which case, it shall undergo a CSP with respect to its excess power. The size of the generation plant shall have a maximum capacity of 10 MW per Luzon DU and five MW per Visayas and Mindanao DU;
d. The provision for power supply by the National Power Corporation (NPC) in off-grid areas prior to and until the entry of New Power Providers (NPP) and in emergency circumstances, in which case, a copy of the PSA between the Electric Cooperative (EC) and the NPC shall be submitted to the DOE and the National Electrification Administration (NEA), in case of ECs; and
e. The provision for power supply by the PSALM Corporation or its successors-in-interest through bilateral contracts for the power produced from the undisposed generating assets and independent Power Producer contracts. Request for exemption must be submitted to the DOE at least three months prior to the expiration of the Contract of Supply of Electric Energy (CSEE) or intended cooperation period. Upon its execution, the DU or EC shall furnish the DOE and NEA, respectively, with a copy of the CSEE between the DU and the PSALM.[51]

Non-compliance with the prescribed rules on the conduct of CSP may result in administrative fines and penalties under the EPIRA and other relevant issuances.

Renewable Portfolio Standards

RPS mandates industry participants (DUs, retail suppliers) to have a specified portion of their energy requirements sourced from renewables.

- 2020 will be the first year of implementation where industry participants shall have at least 1% of their energy requirements sourced from renewables.
- Requirements to increase at an annual rate of at least 1% (actual increment may be adjusted by DOE), in coordination with the NREB, when there are substantial changes in the relevant market grid, or the prevailing percentage is deemed insufficient to attain the target renewable energy share.
- Aspirational target of having 35% of power generation sourced from renewable energy by 2030.

Penalties for noncompliance include monetary fines and revocation of participants' license, franchise, or authority to operate.

[51] Section 2.2, DOE Department Circular No. 2021-09-0030 "Amending certain Provisions of and Supplementing Department Circular No. DC2018-02-0003 on the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market""

RPS has indirectly driven demand for renewable capacities by mandating that industry participants have a minimum portion of their energy requirements being sourced from renewables. Given that only power plants built (or capacities added) from 2008 are considered eligible renewable energy facilities under RES, there is additional demand for greenfield renewable capacities.

RE Auction

Under the DOE's Green Energy Auction, which started in June 2022, qualified renewable energy developers can offer to supply a specified volume of electricity generated from their facilities. The suppliers are chosen through a competitive process or auction. In turn, eligible customers enjoy electricity prices below market values. In July 2020, the DOE issued a circular detailing the guidelines governing the Green Energy Auction, helping power providers comply with their commitment under the RPS program, a market-based policy that requires distribution utilities to source an agreed portion of their supply from eligible RE facilities.[52]

Retail Competition Open Access

The establishment of RCOA is mandated by the EPIRA. RCOA provides power suppliers access to transact directly with any customer designated by the ERC as contestable. RCOA also gives Contestable Customers the flexibility to choose their electricity suppliers.

The ERC recently expands the RCOA's coverage to end-users with an average monthly peak demand of at least 500 kilowatts (kW) for the last 12 months on a voluntary basis. Based on the said threshold, all qualified end-users can be considered as Contestable Customers under the Phase III threshold level (500kW-749kW) and will be allowed to switch to the Competitive Retail Electricity Market (CREM) beginning 26 February 2021.[53]

Renewable Energy Safety, Health, and Environment Rules and Regulations

Pursuant to the Renewable Energy Act of 2008, the DOE issued Circular No. DC-2012-11-0009, or the Renewable Energy Safety, Health, and Environment Rules and Regulations of 2012 (RESHERR), which outlines the pertinent rules and regulations applicable to all RE Employers, Employees, Contractors, and other entities engaged in RE Operations in the Philippines. The RESHERR covers all activities related to exploration, development, and utilization of RE resources and manufacturing, fabrication, and suppliers of locally produced RE machineries, equipment, components, and parts.

Under the RESHERR, all RE Facilities are required, upon commencement of its operations, to organize a Safety, Health, and Environment Committee (SHEC), the minimum composition of which shall be determined based on the number of workers of the facility.[54] Similarly, all persons employed in the practice of occupational safety in the RE industry are required to be duly qualified and accredited by the REMB.[55] In addition, the RESHERR likewise establishes

[52] www.mb.com.ph/2021/05/21/doe-to-issue-re-capacity-auction-rules-next-month

[53] www.powerphilippines.com/erc-officially-expands-rcoa-implementation

[54] Rule 3, Section 12 of the RESHERR provides that in every Workplace with less than one hundred (100) workers, the Manager of the workplace shall be chairman, while the Committee shall be composed of one Foreman/Supervisor, three workers, one Nurse/First-aider, one Environmental Officer, one Contractor Safety Officer (if applicable). The Safety Officer of the workplace shall act as Secretary. In case there are more than one hundred (100) workers in a Workplace, the committee shall be composed similarly, but must have four workers minimum instead of three.

[55] Rule 3, Section 13, RESHERR.

minimum occupational safety and health requirements for RE facilities. Non-compliance with the provisions of the RESHERR may result in fines and/or suspensions of operations.

Rules and Regulations for Renewable Energy Service Contracts

DOE Department Circular No. 2019-10-0013 (DC 2019-10-0013) provides for the guidelines and procedures governing the award and administration of renewable energy contracts and the registration of renewable energy developers. An RE Contract refers to the service agreement between the government, through the DOE or the President, and an RE Developer over an appropriate period as determined by the DOE which grants to the RE Developer the exclusive right to explore, develop, or utilize the RE Resource within a particular area. RE Contracts may be awarded through (a) an OCSP, or (b) Direct Application. The OCSP shall be adopted for the selection and award of RE Service Contracts for Pre-Determined Areas[56] covering any type of resource for commercial purposes, while Direct Application shall be available for the selection and award of: (x) RE Operating Contracts, (y) RE Service Contracts covering Pre-Determined Areas, following a failed OCSP, and (z) RE Service Contract in an area identified by a RE Applicant and verified with or confirmed by the DOE-Information Technology and Management Services as available for exploration, development and/or utilization of the proposed RE Resource.

RE Service Contracts refer to service agreements between the Philippine government, through the President or the DOE Secretary, and RE Developer, covering an appropriate period as stated therein, in which the RE Developer shall have the exclusive right to explore, develop and utilize geothermal, hydropower, wind, ocean and other RE Resources within a particular area. The stages of an RE Service Contract are the following:

a. Pre-Development Stage which involves the conduct of preliminary assessment and feasibility study up to Financial Closing and Declaration of Commerciality of the RE Project, including the identification of the proposed Production Area; and
b. Development/Commercial Stage which involves the development, construction, and commercial operation of the RE Project, production, and utilization of RE Resources.

The RE Service Contract shall transition from the Pre-Development Stage to the Development/ Commercial Stage only after the issuance by the DOE of a Certificate of Confirmation of Commerciality.

RE Operating Contracts refer to service agreements between the DOE and RE Developer for the development and/or utilization of biomass, solar and other RE Resources which, due to their inherent technical characteristics, need not go through Pre-Development Stage. As such, the stages of an RE Operating Contract cover only the Development/Commercial Stage, which involves the development, construction and installation and commercial operation of the RE Project, including the achievement of Financial Closing.

All assignment of RE Contracts shall be subject to prior written approval of the DOE. An assignment to a non-affiliate, whether full or partial, may be allowed only once during: (a) the entire period of the Pre-Development Stage of the RE Service Contract; or (b) the entire term of the RE Operating Contract. An assignment shall not be allowed to a non-affiliate during the first two years of the RE Contract from its effectivity.

[56] Pre-Determined Areas refer to areas with RE Resource potential through sufficient available technical data as may be determined by the REMB and approved by the DOE Secretary for inclusion in the OCSP.

Holders of contracts/agreements prior to the effectivity of DC 2019-10-0013 may apply for conversion to the new RE Contract templates, provided that such holders are fully compliant with the terms of the approved Work Program/Work Plan and the material terms and conditions of the contract/agreement for the past six months prior to the date of filing its application for conversion. For RE Developers with RE Contracts executed less than six months from date of application for conversion, the evaluation of compliance with commitments under the approved Work Program and of the material terms and conditions of the RE Contract shall be the basis of their performance.

A Certificate of Registration with the DOE is required for RE Developers to avail of the incentives under the Renewable Energy Act. The Certificate of Registration shall have an initial validity period of five years, renewable for the same period until the end-of-project life is reached, in no case to exceed 25 years.

Laws and Other Regulations for Environment Protection

Environmental Clearance Certificate

An ECC is a document issued by the EMB after a positive review of an ECC application, certifying that:

- The proposed project will not cause significant negative environmental impact; and
- The project proponent has complied with all the requirements of the Environmental Impact Statement (EIS) System and has committed to implement its approved Environmental Management Plan (EMP).

The Implementing Rules and Regulations for the Philippine Environmental Impact Statement System (DENR Administrative Order No. 30-03) defines an ECC as the document that contains specific measures and conditions with which the project proponent undertakes to comply before and during the operation of the project, and where applicable, during the project's abandonment phase for the purpose of mitigating the project's impact to the environment. No person, partnership or corporation shall undertake or operate any declared environmentally critical project or area with first securing an ECC.

An EIS, on the other hand, is a document prepared and submitted by the project proponent or an Environmental Impact Assessment Consultant that serves as an application for an ECC, which includes a comprehensive study of the significant environmental impact of the project.

Under the Philippine Environmental Policy (Presidential Decree No. 1151), all government agencies and instrumentalities and private entities are required to prepare an EIS for any project or activity that affects the quality of the environment detailing the environmental impact of the proposed project, any adverse environmental effect that cannot be avoided in the implementation of such proposed project, and any alternatives to the proposed project. The EIS will also include a determination that the short-term uses of the resources of the environment are consistent with the maintenance and the enhancement of the long-term productivity of such resources.

LGUs must also be consulted during the entire Environmental Impact Assessment (EIA) process with regard to actual environmental conditions in the project area and the compatibility of the proposed project with the area's development plan, as required by DENR Memorandum Circular

No. 2008-08. LGUs must participate during the scoping sessions where the scope of the EIA study is defined, during the conduct of the EIA study to provide needed data, and during public hearings or consultations in the review of the EIA report.

Lastly, an EMP details the prevention, mitigation, compensation, contingency, and monitoring measures that the project proponent intends to undertake to enhance the positive impact and to minimize the negative effect of a proposed project.

Philippine Clean Water Act

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act of 2004," was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

Philippine Clean Air Act

R.A. 8749 or "The Philippine Clean Air Act of 1999" is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking.

The Philippine Clean Air Act of 1999 requires enterprises that operate or utilize air pollution sources to obtain an Authority to Construct or a Permit to Operate from the DENR with respect to the construction or use of air pollutants. The issuance of said permits seek to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

The Toxic Substances and Hazardous and Nuclear Waste Control Act

R.A. No. 6969 or "The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990," regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process

residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

Hazardous wastes are substances brought into the country without any safe commercial, industrial, agricultural or economic usage. On the other hand, toxic wastes are substances that are poisonous and have carcinogenic, mutagenic, or teratogenic effects on human or other life forms.

Ecological Solid Waste Management Act

R.A. No. 9003 or "The Ecological Solid Waste Management Act of 2000" provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The same law mandates all, especially, the local government units, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste. Pursuant to R.A. 9003, solar operating plants are required to establish a Material Recovery Facility (MRF) for biodegradable wastes (composting area), reusable and recycled materials. A zero waste management scheme should be adapted to minimize disposal of garbage site.

The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Local Government Regulations

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code, establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The Local Government Code general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

An LGU, through its respective legislative bodies, may enact ordinances and approve resolutions, as shall be necessary and proper to provide for health and safety, comfort and convenience, maintain peace and order, improve the morals, and promote the prosperity and general welfare of the community and the inhabitants thereof, and the protection of property therein. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU. Ordinances may be repealed by subsequent ordinances expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the Local Government Code, the Sangguniang Panlalawigan (Provincial Council) has the power to review ordinances passed by a component city council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Businesses are required to obtain a local business permit from the LGU having jurisdiction over the territory where the entity seeks to operate before commencement of actual operations. In order to obtain a local business permit for any business or activity, a clearance must first be obtained from the barangay where such business or activity is located or conducted.

Subject to certain limitations, the power to tax is also exercised by the LGU through their respective legislative bodies, upon enactment of an appropriate ordinance.

Labor Regulations

Labor Code of the Philippines

The Labor Code of the Philippines (Labor Code) seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race or creed and regulate the relations between workers and employers. The Labor Code prescribes the rules for hiring and termination of private employees, the conditions of working including maximum work hours and overtime, employee benefits such as holiday pay, thirteenth month and retirement pay and the guidelines in the organization and membership to labor unions. The Department of Labor and Employment (DOLE) is the Government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On 15 March 2017, Department Order No. 174 (2017) (D.O. 174) was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-Only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. The failure of legitimate contractors to register gives rise to the presumption that the contractor is engaged in labor-only contracting.

Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back-office operations or support.

D.O. No. 174 reaffirms the constitutional and statutory right to security of tenure of workers. It absolutely prohibits labor-only contracting and other illicit forms of employment arrangement. D.O. No. 174 permits contracting and subcontracting provided: (a) the contractor or subcontractor is engaged in a distinct and independent business and undertakes to perform the job or works on its own responsibility, according to its own manner and method; (b) the contractor or subcontractor has substantial capital to carry out the job farmed out by the principal on his account, manner and method, investment in the form of tools, equipment, machinery and supervision; (c) in performing the work farmed out, the contractor or subcontractor is free from

the control and/or direction of the principal in all matters connected with the performance of the work except as to the result thereto; and (d) the service agreement ensures compliance with all the rights and benefits for all employees of the contractor or subcontractor under the labor laws.

On 2 May 2018, President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker's right to security of tenure, self -organization and collective bargaining and peaceful concerted activities.

Occupational Safety and Health Standards Law

On 17 August 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors, or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires providing complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed to, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

The Rules for Occupational Safety and Health Standards (OSHS) issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values (TLV) for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV also pertains to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS or must not exceed the eight-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation, or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided under Department of Labor and Employment Department Order No. 198-18 and imposable upon any employer, contractor, or subcontractor who willfully fails or refuses to comply with the OSHS standards or a compliance order issued by the Secretary of Labor and Employment or his/her authorized representative.

Depending on the size of the workforce and the nature of the workplace as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries with workers of 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay on the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic within 25 minutes of travel, and ensure that it has facilities readily available for transporting its workers to the hospital or clinic in case of an emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must provide DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with, and approved by, the employees.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth, and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System (SSS). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation (PhilHealth), a government corporation attached to the DOH tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of the National Health Insurance

Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship. The law provides that a member should have paid his contributions for at least three months within the six months prior to the first day of availment, including those of his dependents, to be entitled to the benefits of the program.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

Taxation on Lease Contracts

National Internal Revenue Code

Rental payment for lease of property located in the Philippines, whether personal or real, is subject to 5% expanded withholding tax based on the amount payable to the lessor.

Rental payment is also subject to VAT at the rate of 12% based on gross receipts, regardless of the place of execution of the contract of lease. 'Gross receipts' pertains to the total amount of money or its equivalent representing the contract price or rent, including the amount charged for materials supplied with the lease and deposits and advanced payments actually or constructively received during the taxable quarter, excluding VAT.

Furthermore, lease agreements are subject to a DST of six pesos (₱6.00) for the first two thousand pesos (₱2,000.00), or fractional part thereof, and an additional two pesos (₱2.00) for every one thousand pesos (₱1,000.00) or fractional part thereof, in excess of the first two thousand pesos (₱2,000.00) for each year of the term of said agreement.

Revenue Regulations No. 02-98, as amended

Gross rental for the continued use or possession of real property used in business, which the obligor has not taken or is not taking title or in which the obligor has no equity, is subject to creditable withholding income tax at the rate of 5%.

The obligation to deduct and withhold said tax arises at the time rent is paid or becomes due, demandable, or legally enforceable.

Income payments made to any person enjoying exemption from payment of income taxes pursuant to the provisions of any law, such as the Omnibus Investments Code, are exempted from creditable withholding income tax.

Consolidated VAT Regulations of 2005 (Revenue Regulations No. 16-05)

In a lease contract, an advance payment made by the lessee may be: (a) a loan to the lessor from the lessee; (b) an option money for the property; (c) a security deposit to insure the faithful performance of certain obligations of the lessee to the lessor; or (d) a pre-paid rental.

If the advance payment falls under any of items (a), (b), or (c), then said payment is not subject to VAT. However, an advance payment that falls under item (c) but is applied to rental is subject to VAT at the time of its application.

If the advance payment falls under item (d), then said payment is subject to VAT in the month or quarter received by the lessor, irrespective of the accounting method employed by the less.

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MATERIAL CONTRACTS AND AGREEMENTS

Solar Energy Service Contract

On 22 August 2017, SPCRPI, an affiliate of the Company, was awarded SESC No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting, and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija.

On 29 December 2017, SPCRPI executed Deed of Assignment transferring all its rights and obligations to the Company. On 23 February 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration under the name of the Company which recognizes the Company as an RE developer.

Memorandum of Agreement to Acquire Land

On 20 February 2021, the Company entered into a MOA with an affiliate, PIC, that was later amended on 3 March 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total land area of 68.621 hectares. Through the MOA, the Company was granted by PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute a definitive agreement, e.g., DOAS, to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267 million, which represents the full payment.

Further, on 19 April 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total land area of 56.8064 hectares. Through the MOA, the Company was granted by LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute a definitive agreement, e.g., DOAS, to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270 million, which represents the full payment.

These advance payments for a total consideration of ₱537 million are presented as "Deposits for land acquisition" in the Company's financial statements as of 30 June 2022.

Lease Agreements

On 11 January 2021, a deed of assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the 6 September 2016 lease agreement to the assignee. In April 2021, the Company and the lessor, Las Piñas Agro Industrial Corporation et al., executed an Addendum amending Section 4.1 (Annual Rental) and Section 4.2 (Advance Rental) of the 6 September 2016 lease agreement and agreed that the lease commencement date shall be on 31 March 2021 for the parcels of land with a total area of

169.86 hectares. The said 169.86 hectares is reflective of the parcels of land covered by "Leased Premises" as provided under Section 2.1 of the 6 September 2016 lease agreement but specifically excluding the 9.7234 hectares in Lot No. 2779-B covered by Transfer Certificate of Title (TCT) No. 041-2011000877. The total annual lease payment is ₱9.4 million, net of tax and subject to escalation. Part of the Addendum is the agreement to commence lease on the five hectares covered by TCT No. 041-2011000877, which is still part of "Leased Premises," in May 2022 upon conversion of said lot from Agricultural to Industrial. On 25 May 2021, another Addendum was executed amending Section 2 (Subject Property), from 179.5813 hectares to 174.8577 hectares. At present, the Company is leasing a total area of 174.8577 hectares of land from Las Piñas Agro Industrial Corporation et al.

On 1 February 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija with a total area of 95.8165 hectares. The land was made available for use on 1 February 2019, with a rent-free period until 31 December 2019. The lease will expire on 31 December 2044. Further, the lease is subject for renewal of five years or for a reasonable period upon mutual agreement by the parties. The total annual lease payment is ₱4.3 million, net of tax and is subject to escalation per the lease agreement.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one-year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject for renewal of five years or for a reasonable period upon mutual agreement by the parties. The total annual lease payment is ₱4.5 million, net of tax and is subject to escalation per the lease agreement.

Management Service Agreement

The Company did not employ any personnel as of 31 December 2017 to 30 April 2021. During this period, the Company's operations, business development, administrative, and finance functions were handled by the Parent Company. On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from 1 May 2021 to 30 April 2024, in which the parties upon mutual agreement may renew or extend.

The Management Service Agreement covers all necessary administrative and advisory services on management, investment and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology.

Renewable Power Supply Agreement

On 4 February 2022, the Company entered into a Renewable Power Supply Agreement with AEC. The agreement has a term of 10 years starting on 26 March 2023 or upon approval of the Energy Regulatory Commission, whichever comes later. During said period, the Company will, on a take and pay basis, supply AEC daily approximately 97,800 kWh.

CORPORATE GOVERNANCE

The Company is committed to observing the best practices of good governance. Hence, the Board of Directors approved and adopted the Company's Manual on Corporate Governance (Manual) on 2 July 2021, incorporating therein the corporate governance standards of the SEC with respect to publicly listed companies. The Manual is a supplement to the Company's Amended By-Laws and shall serve as a guide to the Company and its various stakeholders on the Company's continued commitment to good corporate governance.

Practical oversight of the Company's corporate governance standards is exercised through the Board's three standing committees: the Audit and Risk Management Committee; the Corporate Governance Committee; and the Related Party Transactions Committee.

The Audit and Risk Management Committee is tasked with recommending the appointment of external auditors and monitoring the system of internal controls and corporate compliance with laws, regulations, and code of ethics. It is also tasked with assisting the Board in the performance of its oversight responsibility over the finances of the Company.

The Corporate Governance Committee assists the Board in the performance of its corporate governance responsibilities. It is also tasked with reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring Board approval.

The Related Party Transactions Committee is responsible for reviewing all material related party transactions and is also responsible for checking compliance with the related party transactions policies as may be adopted by the Board.

The charters of the foregoing committees were approved by the Board on 2 July 2021. Under the committee charters, the Audit and Risk Management Committee shall endeavor to meet at least once every quarter while the Corporate Governance Committee and Related Party Transactions Committee shall endeavor to meet at least twice in one year.

Each committee is composed of at least three members appointed from among the members of the Board and is chaired by one of the appointed members to such committee.

In the meeting of Board on 2 July 2021, the members of the Board were appointed to the above-mentioned committees as follows:

Table 52: Committees of the Board of Directors

Position	Audit and Risk Management Committee	Corporate Governance Committee	Related Party Transactions Committee
Chairperson	J. Carlitos G. Cruz	Benjamin I. Espiritu	Benjamin Espiritu
Members	Benjamin I. Espiritu Carlos Jose P. Gatmaitan Leandro Antonio L. Leviste Hazel Iris P. Lafuente	Carlos Jose P. Gatmaitan J. Carlitos G. Cruz	J. Carlitos G. Cruz Carlos Jose P. Gatmaitan Leandro Antonio L Leviste Hazel Iris P. Lafuente

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Company intends to abide by the Manual and take further steps to enhance adherence to principles and practices of good governance. The Company also intends to draw on the corporate governance knowledge and insights of the Independent Directors which they have gained from their professional experience as directors in other companies.

The Manual contains penalties for non-compliance with its provisions. Multiple violations of the Manual may result in the removal from office of the director or officer concerned. As of Prospectus Date, the Company is not aware of any violations of or deviations from the Manual. The Company shall continuously evaluate and monitor compliance with the Manual and shall ensure the same by imposing the appropriate penalties should there be any violation of the Manual.

The Company designated Mr. J. Carlitos G. Cruz as Lead Independent Director from among its Independent Directors. Pursuant to the relevant corporate governance standards of the SEC for listed companies, a Lead Independent Director must be designated in cases where the positions of Chairman of the Board and Chief Executive Officer are held by one person. To further strengthen the independence of the Company's Independent Directors, Mr. J. Carlitos G. Cruz was also designated as the Vice-Chairman of the Board.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Parties are considered to be 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, the parties are subject to common control, or the party is an associate or a joint venture. Under SEC Memorandum Circular No. 24, series of 2019 the term "related parties" covers "the covered entities directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common law, and other persons if these persons have control, joint control or significant influence over the covered entity," and the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party." "Related party transactions" mean a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. The circular adds that this term "should be interpreted broadly to include not only transactions entered into with related parties but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party."

Except as indicated otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made in terms and prices agreed upon by the parties.

The following shows the due to related party accounts as of 31 December 2018 to 2020, 30 June 2021, and 30 June 2022.

Table 53: SPNEC Due to Related Parties (Cash Advances)

Amounts in ₱millions	**As of 31 December 2018**	**As of 31 December 2019**	**As of 31 December 2020**	**As of 30 June 2021**	**As of 30 June 2022**
Parent Company	₱44.03	₱10.67	₱17.39	₱22.79	₱22.79
Shareholder	-nil-	-nil-	-nil-	-nil-	-nil-
Due to Related Parties	**₱44.03**	**₱10.67**	**₱17.39**	**₱22.79**	**₱22.79**

Differences in decimal numbers are due to rounding off.

These due to related parties are all intended for working capital, deposits for land acquisition, and administrative and advisory services on management purposes. These are all noninterest-bearing, unsecured, and payable in cash upon demand.

In 2019, the Company rescinded, through various mutual rescission, the original Contracts to Sell between the Company and landowners amounting to ₱34.9 million, since the management assessed that the said parcels of land are to be subsequently acquired by the Parent Company. New contracts to sell were subsequently executed between the Parent Company and the same landowners. The deposits paid to the landowners amounting to ₱34.9 million were offset against the due to Parent Company as reimbursements for the rescinded contracts.

The Company entered into a MOA on 20 February 2021 and was amended on 3 March 2021, with PIC, an affiliate, who agreed to sell certain parcels of land with a total land area of 68.621 hectares for a total consideration of ₱267.0 million.

Further, to secure land for future expansion, the Company entered into a MOA on 19 April 2021, with LHHC, an affiliate, who agreed to sell certain parcels of land, with a total land area of 56.8064 hectares for a total consideration of ₱270 million.

The Company did not employ any personnel as of 31 December 2017 to 30 April 2021. During this period, the Company's administrative function and finance function were handled by its Parent Company. On 30 April 2021, the Company entered into a Management Service Agreement with SPPPHI which covers all necessary administrative and advisory services on management, investment, and technical matters involving the Company's operations for a period from 1 May 2021 to 30 April 2024, in which the parties upon mutual agreement may renew or extend. Total annual fee for the said agreement would be ₱24,000,000.00, exclusive of VAT.

The Company currently maintains its business address at the 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. While the Management is still deciding on the transfer to a more suitable office location, the Company was in the interim granted rights to use certain portions of the said office space conditioned on the entry by the Company into a sublease agreement with an affiliate. The affiliate currently occupies the said office space on a month-to-month basis arrangement.

SPNEC has no other transactions with other parties (outside the definition of "related parties") that the Company has relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis.

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THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, or any of their respective subsidiaries, associates, or advisors in connection with listing of the Subject Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by their respective Boards of Governors elected annually by their respective members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two separate exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrates all bids and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring PSE Trading Participants and listed companies. On 8 August 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

Each of the then 184 member-brokers was granted 50,000 Common Shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non brokers, one of whom is the President of the PSE. On 15 December 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry. As of 6 March 2020, the PSE has an authorized capital stock of ₱120,000,000.00. As of 31 December 2021, the PSE has 85,406,248 issued shares, of which 3,513,952 are treasury shares, resulting in 81,892,296 total shares outstanding.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board (SME Board). In 2013, the PSE issued Rules on Exchange Traded Funds (ETF) which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board, or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated 6 June 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in a company's articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component shares.

The PSE has a benchmark index, referred to as the PSEi (previously "PHISIX"), which as of the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market

capitalization effective 3 April 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On 26 July 2010, the PSE launched a new trading system, PSE Trade. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

In December 2013, the PSE EDGE, a new disclosure system co-developed with the Korea Exchange, went live. The PSE EDGE system provided a dedicated portal for listed company disclosures and offered a free-to download mobile application for easy access by investors.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The PSE issued Memorandum LA No. 2011-0032 dated 1 September 2011, regarding the Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy ("**RE**") Companies (PRE Rules). In addition to the general listing requirements, Petroleum and RE Companies are required to submit the documentary requirements set forth in the Checklist of Documentary Requirements for Petroleum and RE Companies in case of an IPO or Listing by way of Introduction. Moreover, existing listed companies and Petroleum and RE Companies that will apply for initial listing with the PSE shall comply with the supplemental disclosure requirements specified in the Supplemental Disclosure Guidelines and Requirements for Petroleum and Renewable Energy Companies.

The PSE Rules provide that an applicant Petroleum or RE company must, at a minimum, demonstrate to the PSE that it is an operator or a co-venturer of a valid and subsisting Service/Operating Contract duly approved and awarded by the DOE. Moreover, an applicant Petroleum or RE company should prove that it has the right to participate actively in the exploration for and/or extraction of natural resources through adequate control over the assets, or through adequate rights which give it sufficient influence in decisions over the exploration for and/or extraction of natural resources.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2021, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Table 54: Selected Stock Exchange Data

Year Ended	PSEi Level	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱Billions)	
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6

Table 54: Selected Stock Exchange Data				
Year Ended	PSEi Level	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱Billions)	
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,976.8	1,338.3
2008	1,872.9	246	4,072.2	763.9
2009	3,052.7	248	6,032.2	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.6	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,446.0	267	16,146.7	1,736.8
2019	7,815.3	268	16,705.3	1,772.6
2020	7,139.7	271	15,888.9	1,770.9
2021	7,122.6	280	18,081.1	2,233.1

Source: PSE data

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third Trading Day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session and resumes at 1:00 p.m. and ends at 3:00 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for a company's shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly listed securities, 15% for security cluster B, and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer / broker to register the transaction with the BSP. The local securities dealer / broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines (SCCP) is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on 17 January 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also PSE Trading Participants;
- Guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

The SCCP settles the PSE trades on a three -day rolling settlement environment, which means that settlement of trades takes place three Trading Days after transaction date (T+3). The deadline for settlement of trades is 12:00 n.n. of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the nine existing settlement banks of SCCP, which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank AG Manila Branch, The Hong Kong Shanghai Banking Corporation Limited, Union Bank of the Philippines, Maybank Philippines Inc., Asia United Bank Corporation, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on 29 May 2006. Central Clearing & Central Settlement employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a

net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was issued a temporary license to operate by the SEC as a depository for equity securities.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including stockholders' meetings, dividend declarations, and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which stockholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation, a corporation wholly owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and a new warrant or stock certificate (Jumbo Certificate) covering all the warrants or shares lodged is issued in the name of the PCD Nominee. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account the participant-buyer, the PSE trades are automatically settled in the PDTC system, in accordance with the PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the

participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporation's' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a new Jumbo Certificate is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. Actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the PSE Listing Rules.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of 1 July 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the DPs on listing date.
- For existing listed companies, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee Jumbo Certificates and upon such advice, the PDTC shall surrender all PCD Nominee Jumbo Certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on 21 May 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the PSE Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

"For new companies to be listed at the PSE as of 1 July 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the DPs on listing date.

On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in our registry as a confirmation date."

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

On 1 December 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 (SEC MC 13-2017) on the rules and regulations on minimum public ownership (MPO) on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (a) individuals whose shares are not of significant size and which are non-strategic in nature; (b) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (c) investment funds and mutual funds; (d) pension funds which hold shares in companies other than the employing company or its affiliates; (e) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (f) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered nonpublic. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the SEC within the next business day if its MPO level falls below 20%. Listed companies are also required to submit to the SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the SEC a public ownership report and progress report on any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

On 3 August 2020, the PSE issued Guidelines on MPO Requirement for Initial and Backdoor Listings, effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

Table 55: PSE Minimum Public Offer Size	
Market Capitalization	**Minimum Public Offer**
Not exceeding ₱500 million	33% or ₱50 million, whichever is higher
Over ₱500 million to ₱1 billion	25% or ₱100 million, whichever is higher
Over ₱1 billion	20% or ₱250 million, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

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PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions, treaties, administrative practices, and judicial decisions in effect at Prospectus Date. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequence to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this Section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof.

A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines.

A "domestic corporation" is created or organized under the laws of the Philippines; while a "foreign corporation" is one which is not domestic.

A "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business in the Philippines.

The Tax Reform for Acceleration and Inclusion Act (TRAIN) and Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

President Rodrigo Roa Duterte signed into law the RA No. 10963 (TRAIN) and RA No. 11534 (CREATE) on 19 December 2017 and 26 March 2021, respectively. The objectives of this Act are as follows:

The Tax Reform for Acceleration and Inclusion (TRAIN):

a. To enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth;
b. To provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and
c. To ensure that the Government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE):

a. Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
b. Develop a more responsive and globally competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;

c. Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic, and strengthen the nation's capability for similar circumstances in the future; and
d. Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

Corporate Income Tax

While Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN), which took effect on 1 January 2018 and is the first package of the Comprehensive Tax Reform Program (CTRP) of the Duterte administration, brought about extensive changes to individual income taxation, the first package of the CTRP did not include changes in corporate income taxation. This was addressed in the second package of the CTRP or Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), which was signed into law on 26 March 2021, amending provisions of the Tax Code, related to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package. CREATE was published in the Business Mirror on 27 March 2021 and took effect on 11 April 2021.

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines beginning 1 July 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (MSMEs), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32(A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction equivalent to an amount not exceeding 40% of the corporation's gross income.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning 1 July 2020 and until 30 June 2023, a Minimum Corporate Income Tax (MCIT) of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after 30 June 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year. Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

Subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or due to legitimate business reverses.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the company issuing the dividends. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to a final withholding tax at the rate of 25%, starting 1 January 2021. The 25% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines, provided that a prior application for a tax treaty relief has been properly filed with the appropriate office of the Philippine tax authorities. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. On the other hand, the tax rate for a country without a tax treaty may be reduced to 15% (tax sparing rate) if (a) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (b) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 10% for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Order No. 46-2020 (Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-Resident Foreign Corporation Pursuant to Section 28(B)(5)(B) of the National Internal Revenue Code of 1997, as amended dated 23 December 2020) states the following general requirements that shall accompany the first application for the reduced dividend rate of 15% in a given taxable year:

a. letter-request which shall provide a background of the transaction, the relief sought and the legal basis;
b. duly accomplished BIR Form No. 0901-TS;
c. original copy of the apostilled/duly authenticated Tax Residence Certificate issued by the tax authority of the country of the domicile;
d. apostilled/duly authenticated copy of the NRFC's articles of incorporation and proof of establishment in its country of residence;
e. original copy of apostilled/duly authenticated Special Power of Attorney (SPA) issued by the NRFC to its authorized representative;
f. certified true copy of the Board of Directors' resolution of the domestic corporation approving the issuance of dividends, which shall include the amount of dividends, and dates of declaration, record and payment, among others;
g. original copy of the sworn statement executed by the corporate secretary of the domestic corporation stating the legal and beneficial owners, if applicable, of all issued and outstanding shares as of record date, their corresponding subscriptions, date/s of acquisition, percentage of ownership and the allocation of dividend;

h. certified true copy of the General Information Sheet (GIS) of the domestic corporation for the year or period immediately preceding the date of declaration, whichever is more applicable
i. certified true copy of the Audited Financial Statements (AFS) of the domestic corporation stamped "received" by the BIR and Securities and Exchange Commission, which was used as the basis of such dividend declaration; and
j. proof of remittance of the dividend payments.

A domestic corporation is not required to first secure a ruling from the BIR in order to use the tax sparing rate when it remits the dividends. However, it is required to determine if under the law of the country of domicile of the non-resident foreign corporation, such non-resident foreign corporation is granted the applicable "deemed paid" tax credit, or an exemption from income tax on such dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder (please see discussion on tax treaties below).

The BIR recently revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-21 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated 31 March 2021) as clarified by Revenue Memorandum Circular No. 77-21 (Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated 15 June 2021). In accordance with the foregoing regulations, all income items derived by non-resident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through filing of: (i) a request for confirmation by the withholding agent, or (b) a tax treaty relief application ("TTRA") by the nonresident taxpayer, with the required supporting documents in either case.

The submission of a Certificate of Residence for Treaty Relief ("CORTT") shall be discontinued, provided that previously submitted CORTT Forms prior to effectivity of said Revenue Memorandum Order No. 14-2021 shall still be forwarded to the relevant Revenue District Offices for compliance checks. As such, said revenue memorandum order streamlined the process in securing tax treaty relief. A withholding agent or income payor may decide whether to apply the preferential tax treaty rates based on the prescribed documents submitted by a non-resident taxpayer prior to payment of income for the first time.

Should the withholding agent or income payor decide to apply the preferential tax treaty rate, the said withholding agent or income payor is required to file with the BIR-International Tax Affairs Division ("ITAD") at any time after the payment of the withholding tax but in no case later than the last day of the fourth month following the close of the relevant taxable year a request for confirmation on the propriety of the withholding tax rates applied. Should the withholding agent or income payor decide not to apply the preferential tax treaty rate, the nonresident taxpayer may, at any time after receipt of dividend income, file a tax treaty relief application with the ITAD.

The withholding agent/income payor may apply the preferential tax treaty rate on the dividend income of the non-resident foreign shareholder by relying on the submission by such shareholder of the following documents before the dividend income is paid: (a) on an application form for treaty purposes (BIR Form 0901-D for dividends), an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (b) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied, the withholding agent/income payor must file with the BIR ITAD a request for confirmation of the use of the tax treaty rate. As discussed above, the request for

confirmation must be filed after the payment of the withholding tax and in no case later than the last day of the fourth month following the close of the relevant taxable year. The abovementioned Revenue Memorandum Circular No. 77-21 prescribes the filing of one consolidated request for confirmation per nonresident income recipient, regardless of the number and type of income payments during the year. Revenue Memorandum Circular No. 77-21 also provides for a list of all documentary requirements that have to be submitted in support of the request for confirmation.

If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and it will require the withholding agent/income payor to pay the deficiency taxes plus surcharge, interest and penalties.

In case the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may, at any time after its receipt of the dividend income, file a TTRA with ITAD. Similar to a request for confirmation, the TTRA must also be supported by the documents specified in Revenue Memorandum Circular No. 77-21.

If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the shareholder may also be filed simultaneously with the TTRA. If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a nonresident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g., DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and DST, if otherwise.

Tax Treaties

The following table lists some countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Table 56: Countries with which the Philippines has Tax Treaties

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (0.00%)[9]	Capital Gains tax due on disposition of shares outside the PSE (0.00%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt [10]	May be exempt[13]
France	15[3]	Exempt [11]	May be exempt[13]
Germany	15[4]	Exempt [12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
USA	25[8]	0.6	May be exempt[13]

Notes:

1. *15% if recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*
2. *10% if the recipient company holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.*
3. *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.*
4. *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.*
5. *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*
6. *15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting stock of the paying company were owned by the recipient company; 25% in all other cases.*
7. *15% if the recipient company is a company which controls directly or indirectly at least 10% if the voting power of the company paying the dividends; 25% in all other cases.*
8. *20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole year of its prior taxable year at least 10% of the outstanding shares of the voting stock of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.*
9. *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the NIRC as amended by Section 39 of the TRAIN Law.*
10. *Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.*
11. *Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.*
12. *Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.*
13. *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*
14. *Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

When availing of capital gains tax exemption on the sale of shares of stock under a tax treaty, a tax treaty exemption ruling shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a certificate authorizing registration (CAR) from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

On 31 March 2021, the BIR issued Revenue Memorandum Order No. 14-2021 which repealed the provisions of Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners,* dated 24 October 2016) insofar as the submission of a Certificate of Residence for Treaty Relief (CORTT) in order to avail of preferential treaty rates. Such submission of a CORTT shall be discontinued, provided that previously submitted CORTT Forms prior to effectivity of Revenue Memorandum Order No. 14-2021 shall still be forwarded to the relevant Revenue District Offices for compliance checks. The said revenue memorandum order streamlined the process in securing tax treaty relief. A withholding agent or income payor may decide whether to apply the preferential tax treaty rates based on the prescribed documents submitted by a non-resident taxpayer prior to payment of income for the first time. Should the withholding agent or income payor decide to apply the preferential tax treaty rate, the said withholding agent or income payor is required to file with the BIR-International Tax Affairs Division (ITAD) at any time after the payment of the withholding tax but in no case later than the last day of the fourth month following the close of the relevant taxable year a request for confirmation on the propriety of the withholding tax rates applied. Should the withholding agent or income payor decide not to apply the preferential tax treaty rate, the nonresident taxpayer may at any time after receipt of income file a tax treaty relief application with the BIR- International Tax Affairs Division.

Capital Gains, if Sale was made Outside of the PSE

The net capital gains realized from the sale, exchange, or other disposition of shares of stock outside the facilities of the PSE by an individual citizen, resident alien, or a domestic corporation (other than a dealer in securities) during each taxable year are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year, unless an applicable treaty exempts such gains from tax or provides for preferential rates. For non-resident alien individuals, such sale, exchange, or disposition is also taxable at the rate of 15%, except that this constitutes final withholding tax.

Upon the effectivity of CREATE Law, the net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange, or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to 15%, unless an applicable treaty exempts such gains from tax or provides for preferential rates. Capital gains tax will also apply if the publicly listed company that issued the shares sold does not comply with the MPO requirement.

The transfer of shares shall not be recorded in the books of a company, unless the BIR certifies that the capital gains and DST relating to the sale or transfer have been paid, or where applicable, a tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident shareholder (other than a dealer in securities) is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, VAT of 12% is imposed on the commission earned by the PSE-registered broker and is generally passed on to the client.

Tax-Free Exchanges of Property

Pursuant to CREATE, the BIR issued Memorandum Circular No. 19-2022 dated 4 February 2022 in relation to Section 40 (C) (2) of the National Internal Revenue Code and Section 8 of BIR Revenue Regulations No. 5-2021. MC No. 19-2022 in essence exempts tax-free exchanges of properties from the requirement of a prior favorable opinion from the BIR. Previously, tax free exchanges of property (such as shares for assets, assets for assets or shares for shares) were subject to a prior favorable opinion from the BIR; otherwise, the exchange will be fully taxable on the part of the owners of the properties exchanged with respect to any gains realized from the exchange.

Documentary Stamp Tax

Under the TRAIN Act, the original issue of shares of stock is subject to DST of ₱2.00 for each ₱200.00 par value, or fraction thereof, of the shares of stock issued.

The transfer of shares of stock is subject to a DST of ₱1.50 for each ₱200.00 par value or a fractional part thereof of the share of stock transferred. The DST is imposed on the person making, signing, issuing, accepting, or transferring the document and is thus payable by the vendor or the purchaser of the shares. However, the sale, barter, or exchange of shares of stock listed and traded at the PSE is exempt from DST.

Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's taxes.

Under the TRAIN Act, the transfer of the Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a rate of 6% based on the value of the net estate. Under the TRAIN Act, the transfer of the Common Shares by gift or donation would be subject to a uniform rate of 6% based on the value of the total gift on the transfer of the Common Shares by gift in excess of ₱250,000.00 made during a calendar year, regardless of the relation of the donor to the donee for both individuals and corporate holders. The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (a) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case shares of stock are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the shares of stock exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the shares of stock, based on Section 100 of the Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Income Tax Holiday

Pursuant to the Renewable Energy Act of 2008, renewable energy projects are entitled to an ITH of seven years from commencement of commercial operations. For RE projects, the start of commercial operations shall refer to the state at which the RE plant generated the first kilowatt-hour of energy after commissioning or testing, or two months from the date of such commissioning or testing, whichever comes earlier, as certified by the DOE.

Application for registration must be accompanied by a copy of the DOE Certificate of Registration, Certificate of Accreditation or DOE endorsement, whichever is applicable. Applicant enterprises shall elect to be governed by the provisions of E.O. No. 226 otherwise known as the "Omnibus Investment Code" or the Renewable Energy Act of 2008 at the time of their application for registration.

Notwithstanding the changes brought by CREATE Law on the rationalization of tax incentives, ITH granted to BOI-registered RE Developers are not affected.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above.

The tax treatment of a non-resident shareholder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.

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PHILIPPINE FOREIGN INVESTMENT, EXCHANGE CONTROLS, AND FOREIGN OWNERSHIP

Under current BSP regulations, an investment in listed Philippine securities must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits, and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers and money changers to RA No. 9160, or the Anti-Money Laundering Act of 2001, as amended, and requires these nonbank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed on the PSE may be done directly with the BSP or through an investor's designated custodian bank on behalf of the BSP. A custodian bank may be any authorized agent bank (as defined below) of the BSP or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. The term "authorized agent bank" refers to all categories of banks, except offshore banking units, duly licensed by the BSP. Applications for registration must be accompanied by: (a) a purchase invoice, subscription agreement, and proof of listing on the PSE (either or both); and (b) the original Certificate of Inward Remittance of foreign exchange and its conversion to Pesos through an authorized agent bank of the BSP in the format prescribed by the BSP.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (a) the BSP registration document from the registering custodian bank; (b) the cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (c) copy of the secretary's sworn statement on the board resolution covering the dividend declaration; and (d) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

Restriction on Foreign Ownership

Foreign investors are permitted to invest in only a limited number of securities of Philippine corporations due to restrictions on foreign ownership imposed under the Constitution and by Philippine statutes, particularly in respect of securities of corporations engaged in restricted business activities. The principal restricted business activities are the ownership of land, exploitation and development of natural resources, ownership of educational institutions, operation of public utilities, and advertising, commercial banking, mass media, retail trade and rural banking activities.

Under the Foreign Investments Act, as amended, foreign investments in any Philippine corporation not engaged in a restricted business activity may not exceed 40% of a corporation's outstanding capital stock unless such foreign investment represents an inward remittance of at least Two Hundred Thousand US Dollars (US$200,000.00).

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LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer were passed upon by Picazo Buyco Tan Fider & Santos Law Offices for the Company and by Angara Abello Concepcion Regala & Cruz Law Offices for the Underwriters.

Each of the foregoing legal counsels has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsels will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

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INDEPENDENT AUDITORS

The audited financial statements of the Company as of 31 December 2018, 2019, and 2020, and 30 June 2021, and 30 June 2022 and for the years ended 31 December 2018, 2019, and 2020, and for the six-month periods ended 30 June 2020 and 2021, and for the fiscal years ended 30 June 2022 and 2021 have been audited by SGV & Co., a member firm of Ernst & Young Global Limited, independent auditors, as set forth in their report appearing herein.

The following table sets out the aggregate fees billed for each of the last three calendar years and for the 30 June 2021 and 2022 fiscal year for professional services rendered by SGV & Co.

Table 57: Audit and Non-Audit Related Fees

Amounts in ₱thousands	**31 December 2018**	**31 December 2019**	**31 December 2020**	**30 June 2021**	**30 June 2022**
Audit and Audit-Related Fees[(1)]	35	35	25	1,500	3,950
Non-Audit Services [(2)]	-	-	-	-	-
Total	**35**	**35**	**25**	**1,500**	**3,950**

Notes:

(1) Audit and Audit-Related Fees. This category includes the audit of annual and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. The fees presented above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 15% of the agreed-upon engagement fees.

(2) Non-Audit Services.- There were no non-audit services rendered by SGV for the last three calendar years and for the 30 June 2021 and 2022 fiscal year.

SGV & Co. has acted as the Company's independent auditor since its incorporation in 2016. Jhoanna Feliza C. Go is the current audit partner and has served as such since 2016. The Company has not had any material disagreements on accounting and financial disclosures with SGV & Co. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Rights Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission of the Philippines.

Audit and Risk Management Committee

The Audit and Risk Management Committee shall be responsible for: recommending the appointment of external auditors whose report they review; monitoring the system of internal controls and corporate compliance with laws, regulations, and code of ethics; and serve as a direct channel of communications to the Board for the internal auditors.

The Audit and Risk Management Committee performs oversight functions over the Company's external auditors. It should ensure that the external auditors act independently from each other, and that it is given unrestricted access to all records, properties, and personnel to enable it to perform their respective audit functions. Further, prior to the commencement of the audit, the Audit Committee shall discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. It reviews the reports submitted by the internal and external auditors.

The Audit and Risk Management Committee plans to conduct an assessment within one year from listing taking into consideration the relevant regulations and its charter.

ANNEX I:

AUDITED FINANCIAL STATEMENTS AS OF 30 JUNE 2022 AND FOR THE YEARS ENDED 30 JUNE 2022, 2021, AND 2020

SOLAR PHILIPPINES
NUEVA ECIJA CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Solar Philippines Nueva Ecija Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the fiscal year ended June 30, 2022 and 2021, in accordance with Philippine Financial Reporting Standards, 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 to cease operations, or has no realistic alternative but to do so.

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

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

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

LEANDRO L. LEVISTE
President/CEO/Chairman of the Board

JESUSA LORETO A. ARELLANO
CFO/ Treasurer

SUBSCRIBED AND SWORN to before me this JUL 25 2022
at Makati City, Philippines. Affiant exhibited to me his/her competent ID # _____ valid until _____

Signed this 25th day of July 2022.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2023
Appt No M-002 (2022-2023) Attorney's Roll No 34562
MCLE Compliance No VII-0004035/7 19 2021
PTR No. 8852113/1-3-2022/Makati City
IBP Membership Paid/Roll No.
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

DOC. NO. 448;
PAGE NO. 91;
BOOK NO. XXV;
SERIES OF 2022

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	6	2	7	3	0	0

COMPANY NAME

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION (A Subsidiary of Solar Philippines Power Project Holdings, Inc.

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

20TH FLOOR, PHILAMLIFE TOWER 8767 PASEO DE ROXAS, 1226 MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	Certificate of Permit to Offer Securities for Sale

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
spnec@solarphilippines.ph	(02) 8817-2585	09988889326

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16	First Monday of May	06/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Hazel Iris P. Lafuente	hazel@solarphilippines.ph	(02) 8817-2585	09178816684

CONTACT PERSON's ADDRESS

20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City

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

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

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings, Inc.), which comprise the statements of financial position as at June 30, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2022 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.

Key Audit Matters

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



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

Impairment Assessment of Deposits for Land Acquisition

As of June 30, 2022, the Company has deposits with a carrying value of ₱621.5 million for the acquisition of parcels of land. Under PAS 36, *Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. Management's assessment of impairment considers information from various sources, including those about the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The related disclosures on the Company's deposits for land acquisition are included in Notes 3 and 7 to the financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that the deposits for land acquisition may be impaired. We read the memorandum of agreements entered into by the Company with its affiliates and obtained an understanding of the significant provisions relevant to the assessment, such as the subject properties, payment terms, and rights and obligations of the contracting parties. In addition, we obtained confirmation from the affiliates on the deposits paid by the Company, and inquired of the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction, and evaluated how management considered these information in their impairment assessment.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2022 but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended June 30, 2022, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jhoanna Feliza C. Go.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 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 Solar Philippines Nueva Ecija Corporation. 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.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 114122-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022
PTR No. 8853497, January 3, 2022, Makati City

July 25, 2022

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
ASSETS		
Current Assets		
Cash (Notes 4 and 14)	**₱886,758,302**	₱351,251
Due from a related party (Notes 10 and 14)	**541,700,000**	–
Other current assets (Note 5)	**20,789,388**	776,092
Total Current Assets	**1,449,247,690**	1,127,343
Noncurrent Assets		
Construction in progress (Notes 1 and 6)	**921,385,618**	–
Deposits for land acquisition (Note 7)	**621,499,933**	537,000,000
Right-of-use assets (Note 13)	**286,910,494**	297,751,234
Deferred income tax asset - net (Note 12)	**10,466,264**	–
Other noncurrent assets (Note 8)	**114,218,371**	1,370,284
Total Noncurrent Assets	**1,954,480,680**	836,121,518
TOTAL ASSETS	**₱3,403,728,370**	₱837,248,861
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9, 10 and 14)	**₱13,000,260**	₱6,728,056
Due to a related party (Notes 10 and 14)	**22,792,348**	22,792,348
Current portion of lease liabilities (Notes 13 and 14)	**4,538,676**	14,004,465
Total Current Liabilities	**40,331,284**	43,524,869
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 13 and 14)	**289,340,172**	275,521,361
Deferred income tax liability (Note 12)	**–**	904,291
Total Noncurrent Liabilities	**289,340,172**	276,425,652
Total Liabilities	**329,671,456**	319,950,521
Equity (Note 11)		
Capital stock	**812,435,001**	542,435,000
Additional paid-in capital	**2,347,338,021**	–
Deficit	**(85,716,108)**	(25,136,660)
Total Equity	**3,074,056,914**	517,298,340
TOTAL LIABILITIES AND EQUITY	**₱3,403,728,370**	₱837,248,861

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2022	2021	2020
INTEREST INCOME (Note 4)	**₱548,180**	₱6,090	₱698
EXPENSES			
Management fee (Note 10)	**24,000,000**	4,000,000	–
Filing fees (Note 11)	**12,465,411**	–	–
Taxes and licenses	**10,589,980**	1,453,987	87,530
Interest accretion of lease liabilities (Note 13)	**9,142,009**	7,648,652	2,023,771
Professional fees	**6,540,000**	2,652,032	2,611,471
Amortization of right-of-use assets (Note 13)	**5,420,370**	4,038,265	2,717,551
Bid-related costs	**1,634,000**	1,909,091	–
Others	**2,706,413**	972,966	1,096,265
	72,498,183	22,674,993	8,536,588
LOSS BEFORE INCOME TAX	**71,950,003**	22,668,903	8,535,890
PROVISION FOR (BENEFIT FROM) INCOME TAX - DEFERRED (Note 12)	**(11,370,555)**	904,291	–
NET LOSS	**60,579,448**	23,573,194	8,535,890
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE LOSS	**₱60,579,448**	₱23,573,194	₱8,535,890
Basic/Diluted Loss Per Share (Note 15)	**₱0.0087**	₱0.0511	₱1.2416

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2022, 2021 AND 2020

	Capital Stock				
	Subscribed	Subscription Receivable	Additional Paid-in Capital	Deficit	Total
Balances at June 30, 2019	**₱250,000**	**(₱187,500)**	**₱–**	**(₱6,839,093)**	**(₱6,776,593)**
Total comprehensive loss for the year	–	–	–	(8,535,890)	(8,535,890)
Balances at June 30, 2020	**250,000**	**(187,500)**	**–**	**(15,374,983)**	**(15,312,483)**
Collection of subscription receivable (Note 11)	–	187,500	–	–	187,500
Issuance of shares of stock (Note 11)	542,185,000	–	21,250,000	–	563,435,000
Application of APIC against deficit (Note 11)	–	–	(21,034,193)	21,034,193	–
Stock issuance costs (Note 11)	–	–	(215,807)	(7,222,676)	(7,438,483)
Total comprehensive loss for the year	–	–	–	(23,573,194)	(23,573,194)
Balances at June 30, 2021	**542,435,000**	**–**	–	**(25,136,660)**	**517,298,340**
Issuance of shares of stock, net of stock issuance costs (Note 11)	270,000,001	–	2,329,338,021	–	2,599,338,022
Additional paid-in capital (Note 11)	–	–	18,000,000	–	18,000,000
Total comprehensive loss for the year	–	–	–	(60,579,448)	(60,579,448)
Balances at June 30, 2022	**₱812,435,001**	**₱–**	**₱2,347,338,021**	**(₱85,716,108)**	**₱3,074,056,914**

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱71,950,003)**	(₱22,668,903)	(₱8,535,890)
Adjustments for:			
Interest accretion of lease liabilities (Note 13)	**9,142,009**	7,648,652	2,023,771
Amortization of right-of-use assets (Note 13)	**5,420,370**	4,038,265	2,717,551
Interest income (Note 4)	**(548,180)**	(6,090)	(698)
Unrealized foreign exchange loss	**274,709**	–	–
Provision for impairment of input VAT	–	109,091	14,243
Operating loss before working capital changes	**(57,661,095)**	(10,878,985)	(3,781,023)
Decrease (increase) in other current assets	**(20,013,297)**	(869,053)	1,672,546
Increase (decrease) in accounts payable and accrued expenses	**6,272,205**	6,269,885	(472,164)
Cash used in operations	**(71,402,187)**	(5,478,153)	(2,580,641)
Interest received	**548,180**	6,090	698
Net cash flows used in operating activities	**(70,854,007)**	(5,472,063)	(2,579,943)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Construction in progress (Notes 1 and 6)	**(906,749,770)**	–	–
Due from a related party (Note 10)	**(541,700,000)**	–	–
Deposits for land acquisition (Note 7)	**(84,499,933)**	(537,000,000)	–
Right-of-use assets (Note 13)	**–**	(20,121,600)	–
Other noncurrent assets	**(112,848,087)**	(802,361)	(552,038)
Cash flows used in investing activities	**(1,645,797,790)**	(557,923,961)	(552,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares of stock, net of transaction costs (Note 11)	**2,599,338,022**	555,996,517	–
Additional capital contribution (Note 11)	**18,000,000**	–	–
Payment of lease liability (Note 13)	**(14,004,465)**	–	(4,311,742)
Net advances from related parties	**–**	7,425,725	6,921,995
Collection of subscription receivable (Note 11)	**–**	187,500	–
Net cash flows from financing activities	**2,603,333,557**	563,609,742	2,610,253
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**(274,709)**	–	–
NET INCREASE (DECREASE) IN CASH	**886,407,051**	213,718	(521,728)
CASH AT BEGINNING OF YEAR	**351,251**	137,533	659,261
CASH AT END OF YEAR (Notes 4 and 14)	**₱886,758,302**	₱351,251	₱137,533

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

(a) Organization

Solar Philippines Nueva Ecija Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy. As of July 25, 2022, the Company has not yet started commercial operations and targets to start by mid 2023 [see details in (b) The Project below].

The Company is a subsidiary of Solar Philippines Power Project Holdings, Inc. (SPPPHI or Parent Company), a corporation organized in the Republic of the Philippines, which is also the Company's ultimate parent company.

(b) The Project

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded Solar Energy Service Contract (SESC) No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to the Company.

On February 23, 2018, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of the Company which recognizes the Company as a Renewable Energy (RE) developer.

The Project is a 500 megawatt peak (MWdc) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWdc solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MWdc and Phase 1B at 175 MWdc. The Company targets that Phase 1A shall be commissioned by mid 2023 while Phase 1B is planned to be commissioned by end of 2023 or within nine months of closing financing for Phase 1B. Moving forward, the Company plans to

construct an additional 275 MWdc (Phase 2) after it has commissioned Phase 1.

On August 20, 2019, the Company has declared commerciality which the DOE confirmed via the release of the Certificate of Confirmation of Commerciality ("COCOC") last November 15, 2021.

On December 27, 2021, the Company began construction of Phase 1A (see Note 6).

(c) Initial Public Offering (IPO)

The Company filed an application with the SEC for the registration and an application with the Philippine Stock Exchange, Inc. (PSE) for the listing of all its issued and outstanding stock on July 29, 2021 and August 20, 2021, respectively.

On November 29, 2021, the SEC and the PSE approved the application of the Company for the listing of its 8,124,350,005 common shares on the Main Board of the PSE.

The common shares of the Company consisting of 8,124,350,005 shares, inclusive of the primary offering of 2,700,000,000 common shares and the issued and outstanding shares of 5,424,350,005 common shares, were listed on the Main Board of the PSE on December 17, 2021 and are currently being traded under the stock Symbol "SPNEC" (see Note 11).

(d) Stock Rights Offering (SRO) and Share Swap

SRO

On February 14, 2022, the Board of Directors (BOD) of the Company approved the conduct of an SRO where eligible stockholders would have the opportunity to subscribe to shares, subject to terms to be determined by management and relevant regulatory requirements and approvals.

The Company plans to file the SRO based on its current unissued authorized capital stock of 1,875,649,995 shares, at an entitlement ratio of 1 share for every 1.28 shares held (from its current public float of 2,399,614,000 shares), at an offer price range that has been fixed at ₱1.60 to ₱1.76 per share, with the middle of this range being ₱1.68 per share.

On April 8, 2022, the Company filed with the SEC an application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the SRO, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code ("SRC") under which the exemption is based. The Confirmation of Exempt Transaction was subsequently issued by the SEC on July 19, 2022.

On July 12, 2022, the Company adjusted the offer price range to ₱1.50 to ₱1.76 per share, and offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three months of the offer period (see Note 11).

Share Swap

On February 24, 2022, the BOD of the Company approved the acquisition of 100% of the outstanding shares of SPPPHI and affiliates in various entities ("Solar Philippines Assets") (see Note 11).

The Company would acquire the Solar Philippines Assets through an asset-for-share swap, with SPPPHI subscribing to 24,373,050,000 shares of the Company at ₱2.50 per share ("Share Swap"). This Share Swap is supported by a third-party valuation and fairness opinion by

FTI Consulting Philippines, Inc., an independent valuation and fairness opinion provider accredited with the SEC and PSE. The Solar Philippines Assets would serve as the Company's subscription payment for the increase in its authorized capital stock from 10 billion common shares to 50 billion shares (see Note 11).

(e) Acceptance of Donation of Shares

On July 4, 2022, the BOD of the Company approved the authorization to accept the transfer by way of donation of shares in Solar Philippines entities owned by Leandro Antonio L. Leviste (LLL), the Chairman, President and Chief Executive Officer of the Company, or Countryside Investments Holdings Corporation (CIHC), including shares in SP Holdings, Inc. (SPHI), which are not directly held by SPPPHI.

(f) Change in Fiscal Year

On March 29, 2021, the BOD approved the change in the Company's fiscal year from January 1 to December 31 each year to July 1 to June 30 each year. On April 6, 2021, the Company filed its application for the change in fiscal year with the SEC and was approved on April 14, 2021.

The complete requirements for the change in accounting purposes were submitted to the Bureau of Internal Revenue (BIR) on May 20, 2021 and was subsequently approved on August 26, 2021.

(g) Principal Office Address

The registered business address of the Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

(h) Authorization for the Issuance of the Financial Statements

The financial statements of the Company as of June 30, 2022 and 2021 and for the years ended June 30, 2022, 2021 and 2020 were authorized for issue by the BOD on July 25, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on the current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash in banks
Cash in the statement of financial position comprise cash in banks.

Financial Instruments
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 financial assets at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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
For purposes of subsequent measurement, financial assets are classified in four categories:

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

Financial assets at amortized cost (debt instruments)
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; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash in banks, due from a related party, and performance bond and cash bond deposit included under other current assets as of June 30, 2022 and 2021 (see Notes 4, 5, 10 and 14).

The Company has no financial assets at FVOCI and FVPL.

Financial liabilities
Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Company's loans and borrowings include accounts payable and accrued expenses (excluding payable to employees and government agencies), due to a related party and lease liabilities as of June 30, 2022 and 2021 (see Notes 9, 10, 13 and 14).

As of June 30, 2022 and 2021, the Company has no financial liabilities at FVPL.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

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

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement
Fair value is the estimated 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 in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the Company's 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; and
- 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 the end of each reporting period.

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.

Advances to Contractors
Advances to contractors pertain to advance payments made for purchases of construction materials, other services, and rental of equipment. Advances to contractors is measured on initial recognition at cost, and is reclassified to the proper asset or expense account and deducted from the contractor's billings as specified on the provision of the contract.



Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation, amortization and impairment in value, if any. The initial cost of property, plant and equipment consist of the purchase price including import duties, borrowing costs (during construction period) and other costs directly attributable to bringing the assets to its working condition and location for its intended use. Cost also includes the cost of replacing part of the property, plant and equipment, and the borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives, depreciation and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation and amortization of an item of property, plant and equipment begin when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

An item of property, plant and equipment, and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The useful lives of property, plant and equipment are reviewed at each financial year-end and adjusted, prospectively, if appropriate.

Construction in progress represents structures under construction and is stated at cost, net of accumulated impairment losses, if any. This includes costs of construction and other direct costs. Costs also include interest on lease liability and amortization of right-of-use (ROU) assets incurred during the construction period. Construction in progress is not depreciated until such time that the assets are put into operational use.

It is the Company's policy to classify ROU assets as part of property, plant and equipment. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment (refer to Impairment of Nonfinancial Assets policy).

Input Value-Added Tax (VAT)
Input VAT represents the VAT due or paid on purchases of goods and services that the Company can claim against any future liability to the BIR for output VAT from sale of goods and services. Input VAT is stated at cost less accumulated impairment losses, if any.

Deposits for Land Acquisition
Deposits for land acquisition pertain to non-refundable deposits and payments made in relation to the acquisition of parcels of land and are stated at the amount paid less any impairment in value. Upon successful transfer of title to the Company, the deposits for land acquisition will be reclassified to land as part of property, plant and equipment.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises. In the case of input VAT, an allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Capital Stock
Capital stock is measured at par value and is classified as equity for all stocks issued.

Additional paid-in capital (APIC)
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the APIC account.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the APIC account. If APIC is not sufficient, the excess is charged against the "Equity reserve" account.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) ROU assets
Refer to ROU assets policy.

ii) Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

Interest Income
Interest income is recognized as interest accrues, using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Expenses are generally recognized when the services are used, or the expenses arise.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the income tax returns with respect to situations in which applicable income tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred income tax liabilities are recognized for all taxable temporary differences.
Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.



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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

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

Earnings (Loss) Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares. As of June 30, 2022, 2021 and 2020, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments
The Company's operating businesses are organized and managed separately according to the business units. The Company has no operating segments as it has not yet commenced its commercial operations as of June 30, 2022 and 2021.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

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

Future Changes in Accounting Policies
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 to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after July 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 July 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after July 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after July 1, 2025
- 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*

3. Significant Accounting Estimate and Assumption

The Company's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items are those matters which the Company assess to have significant risks arising from estimation uncertainties:

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Assessing Impairment of Deposits for Land Acquisition

The Company assesses at each financial reporting date whether there is indication that the deposits for land acquisition may be impaired. Management's assessment of impairment considers information from various sources, including those about the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction.

As of June 30, 2022 and 2021, management has assessed that there were no indicators that the deposits for land acquisition may be impaired. The carrying value of deposits for land acquisition amounted to ₱621.5 million and ₱537.0 million as of June 30, 2022 and 2021, respectively (see Note 7).

Estimates

Estimating Useful Lives of ROU Assets

The Company estimates the useful lives of ROU assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

The carrying amount of ROU assets amounted to ₱286.9 million and ₱297.8 million as of June 30, 2022 and 2021, respectively (see Note 13).

Estimating Impairment of Financial Assets

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as general and administrative expenses in the statement of comprehensive income.

Under PFRS 9, *Financial Instruments,* additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Company's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial and contract assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Measurement of expected credit losses
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No provision for ECL was recognized by the Company for the years ended June 30, 2022 and 2021. The aggregate carrying values of cash in banks, due from a related party, performance bond and cash bond amounted to ₱1,443.91 million and ₱0.90 million as of June 31, 2022 and 2021, respectively.

Estimating Impairment of Nonfinancial Assets
The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends including impact of COVID-19 pandemic.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying amounts of assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, or other external indicators) are as follows:

	2022	2021
Construction in progress (Notes 1 and 6)	**₱921,385,618**	₱–
Deposits for land acquisition (Note 7)	**621,499,933**	537,000,000
Right-of-use assets (Note 13)	**286,910,494**	297,751,234
Other noncurrent assets (Note 8)	**114,218,371**	1,370,284
Balances at end of year	**₱1,944,014,416**	₱836,121,518

There were no indicators of impairment of nonfinancial assets in 2022 and 2021.

Estimating the Realizability of Deferred Income Tax Assets
Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The carrying value of recognized deferred income tax assets amounted to ₱31.0 million and ₱28.9 million as of June 30, 2022 and 2021, respectively (see Note 12). The Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (NOLCO) amounting to ₱190.6 million and ₱19.1 million as of June 30, 2022 and 2021, respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized before its expiration (see Note 12).

4. Cash

	2022	2021
Cash in banks	**₱886,658,302**	₱351,251
Cash on hand	**100,000**	–
	₱886,758,302	₱351,251

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱548,180, ₱6,090 and ₱698 in 2022, 2021 and 2020, respectively.

Cash in banks include the balance of escrow account where the net proceeds of the IPO are deposited. As provided in the escrow agreement, the escrow agent shall release to the Company the offer proceeds within five (5) banking days from the receipt of an instruction letter from the Company directing such release and certifying that the amount released shall be used solely in accordance with the purpose stated in the use of proceeds of IPO.

In the event of any change in the use of proceeds, the Company shall provide the escrow agent with a copy of the certification by the Company's corporate secretary of the board resolution approving such new use of proceeds and a certification by the Company's corporate secretary that the new use of proceeds has been disclosed to the PSE in accordance with applicable PSE rules.

5. Other Current Assets

	2022	2021
Surety and performance bond (Note 18)	**₱16,350,000**	₱–
Cash bond deposit (Note 13)	**552,038**	552,038
Others	**3,887,350**	224,054
	₱20,789,388	₱776,092

Others include advances to employees of the Parent Company used for the operations that are subject for liquidation within 30 days.

6. Construction in Progress

The Company's construction in progress amounting to ₱921.4 million as of June 30, 2022 (nil in 2021) pertains to costs capitalized for the Project (see Note 1).

The Project is a 500 megawatt peak (MWdc) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWdc solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MWdc and Phase 1B at 175 MWdc. The Company targets that Phase 1A shall be commissioned by middle of 2023 while Phase 1B is planned to be commissioned by 2023 or within nine months of closing financing for Phase 1B.

On December 27, 2021, the Company began construction of Phase 1A.

7. Deposits for Land Acquisition

Memorandum of Agreements (MOA) with Provincia Investments Corporation (PIC) and Lupang Hinirang Holdings Corporation (LHHC)

On February 20, 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on March 3, 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares.

On April 19, 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares.

As of July 25, 2022, PIC and LHHC are collating all the necessary documentary requirements to be submitted to the Department of Energy and Local Government Unit for the issuance of certification as priority project, and to the National Irrigation Authority for the issuance of certificate of non-irrigation coverage. PIC and LHHC aim to submit these documentary requirements to the appropriate government agencies in 2022.

Contracts to Sell with Various Landowners

In 2022, the Company entered into Contracts to Sell (CTS) with various landowners for the acquisition of parcels of land intended for the expansion of the Project. These CTS covers certain parcels of land with a total area of 190.89 hectares.

The advance payments made by the Company to PIC, LHHC and various landowners totaling to ₱621.5 million and ₱537.0 million, respectively, are presented as "Deposits for land acquisition" as of June 30, 2022 and 2021, respectively (see Note 10).

8. Other Noncurrent Assets

	2022	2021
Input VAT	**₱96,601,001**	₱157,926
Advances to contractors	**8,295,392**	–
Deferred input VAT	**1,200,000**	480,000
Others (Note 13)	**8,250,146**	860,526
	114,346,539	1,498,452
Less allowance for impairment of input VAT	**128,168**	128,168
	₱114,218,371	₱1,370,284

9. Accounts Payable and Accrued Expenses

	2022	2021
Accounts payable (Note 10)	**₱9,766,610**	₱3,880,000
Accrued expenses	**2,538,035**	2,771,054
Withholding tax payable	**691,094**	73,080
Other payables	**4,521**	3,922
	₱13,000,260	₱6,728,056

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on professional fees. Accrued expenses consist of accrual for professional fees.

10. Related Party Transactions

Parties are considered to be related if, among others, 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, the parties are subject to common control, or the party is an associate or a joint venture.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

a. Following are the amounts of transactions and outstanding balances as of and for the years ended June 30, 2022, 2021 and 2020 with the Parent Company and SPHI, an affiliate:

	Transactions during the years ended June 30			Outstanding balance as of June 30			
	2022	2021	2020	**2022**	2021	Terms	Conditions
Due from a related party							
Affiliate:							
SPHI							
Cash advances	**₱541,700,000**	₱–	₱–	**₱541,700,000**	₱–	Due and demandable; non-interest bearing	Unsecured, no impairment

	Transactions during the years ended June 30			Outstanding balance as of June 30			
	2022	2021	2020	**2022**	2021	Terms	Conditions
Due to a related party							
Parent:							
SPPPHI							
Cash advances	**₱–**	₱6,966,300	₱4,945,000	**₱22,792,348**	₱22,792,348	Due and demandable; non-interest bearing	Unsecured
Accounts payable (Note 9)							
SPPPHI							
Management fee	**₱24,000,000**	₱4,000,000	**₱–**	**₱9,700,000**	₱3,880,000	Due and demandable; non-interest bearing	Unsecured

b. On February 20, 2021, the Company entered into a MOA with PIC, which was later amended on March 3, 2021, to secure land covering a total area of 68.621 hectares for a total amount of ₱267.0 million (see Note 7).

c. On April 19, 2021, the Company entered into a MOA with LHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 7).

d. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned to the Company all of its rights and obligations under the September 6, 2016 lease agreement covering a total land area of 169.9 hectares, among others, and the Company accepted and assumed all of the said rights and obligations thus assigned, pursuant to the said Deed of Assignment (see Note 13).

e. On April 30, 2021, the Company entered into a Management Service Agreement (MSA) with the Parent Company to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million.

The Management Service Agreement covers all necessary administrative and advisory services on management, investment and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology.

f. On April 6, 2022, the BOD of the Company, pursuant to the Company's BOD approval on December 20 2021, approved the authorization to allocate IPO proceeds to advance funding for pursuing off-take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SPHI, given that SPHI is a shareholder in Terra and that SPHI is to become a subsidiary of the Company, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

As of June 30, 2022, the Company has advances to SPHI amounting to ₱541.7 million.

g. Prior to May 2021, the administrative and finance functions of the Company were being handled by the Parent Company at no cost to the Company. Starting May 2021, the key administrative and finance functions are performed by SPPPHI through the MSA. Management fee recognized for the year ended June 30, 2022 and 2021 amounted to ₱24.0 million and ₱4.0 million, respectively.

11. **Equity**

Capital Stock and Additional Paid-in Capital
The details of the Company's capital stock as of June 30, 2022 and 2021 are as follows:

	2022		2021	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱0.1 par value per share				
Authorized	**10,000,000,000**	**₱1,000,000,000**	10,000,000,000	₱1,000,000,000
Issued and outstanding:				
Balances at beginning of year	**5,424,350,000**	**₱542,435,000**	10,000,000	₱1,000,000
Issuance of shares during the year	**2,700,000,005**	**270,000,001**	5,414,350,000	541,435,000
Balances at end of year	**8,124,350,005**	**₱812,435,001**	5,424,350,000	₱542,435,000

In July 2021, the Company issued five (5) shares to the new directors.

In July 2021 and November 2021, the Company entered into a Memorandum of Agreement with its Parent Company, whereby the Parent Company provided ₱16.0 million and ₱2.0 million, respectively, representing additional payment for shares previously issued. This was recognized as additional paid-in capital under equity.

On December 17, 2021, the Company completed its IPO and was listed in the PSE under the stock symbol "SPNEC". The Company issued 2,700,000,000 new common shares for a total consideration of ₱2,700.0 million, or at ₱1.00 per share. This resulted to an additional paid-in capital of ₱2,329.3 million, net of transaction costs amounting to ₱100.7 million.

Increase in Authorized Capital Stock
On January 10, 2022, the BOD of the Company approved amendments in the Company's Articles of Incorporation to increase the authorized capital stock from ₱1.0 billion divided into 10.0 billion common shares at ₱0.1 per share, to ₱5.0 billion divided into 50.0 billion common shares at ₱0.1 per share. This was subsequently approved by the stockholders of the Company on March 7, 2022. The proposal to increase the Company's authorized capital stock would enable the Company to acquire other solar projects and fund the expansion of its portfolio.

As of July 25, 2022, the Company is in the process of filing the required documents with the SEC.

Stock Rights Offering and Share Swap
On February 14, 2022, the BOD of the Company approved the conduct of a Stock Rights Offering (SRO) where eligible stockholders would have the opportunity to subscribe to shares, subject to terms to be determined by management and relevant regulatory requirements and approvals.

On February 24, 2022, the BOD of the Company approved the acquisition of 100% of the outstanding shares of SPPPHI and affiliates in various entities ("Solar Philippines Assets") including but not limited to:

- Solar Philippines Calatagan Corporation
- Solar Philippines Tarlac Corporation
- Solar Philippines Tanauan Corporation

- Terra Solar Philippines, Inc.
- SP Holdings, Inc.
- Solar Philippines Batangas Baseload Corporation
- Solar Philippines Tarlac Baseload Corporation
- Solar Philippines Central Luzon Corporation
- Solar Philippines South Luzon Corporation
- Solar Philippines Southern Tagalog Corporation
- Solar Philippines Eastern Corporation
- Solar Philippines Western Corporation
- Solar Philippines Visayas Corporation
- Solar Philippines Central Visayas Corporation
- Solar Philippines Southern Mindanao Corporation
- Solar Philippines Batangas Corporation
- Solar Philippines Retail Electricity, Inc.
- Laguna Solar Rooftop Corporation
- Solar Philippines Rooftop Corporation
- Solar Philippines Commercial Rooftop Projects, Inc.

The Company would acquire the Solar Philippines Assets through an asset-for-share swap, with SPPPHI subscribing to 24,373,050,000 shares of the Company at ₱2.50 per share ("Share Swap"). This Share Swap is supported by a third-party valuation and fairness opinion by FTI Consulting Philippines, Inc., an independent valuation and fairness opinion provider accredited with the SEC and PSE. The Solar Philippines Assets would serve as the Company's subscription payment for the increase in its authorized capital stock from 10 billion common shares to 50 billion common shares.

On March 7, 2022, the stockholders of the Company approved the following resolutions:

- Increase of the Company's authorized capital stock from ₱1 billion divided into 10 billion common shares to ₱5.0 billion divided into 50 billion common shares, the amendment of the Articles of Incorporation, and the Share Swap between the Company and SPPPHI and their affiliates;
- Approval of the waiver of any requirement that a rights or public offering is first undertaken prior to a share swap notwithstanding that the share swap price is at a premium to the weighted average price of the shares; and
- Reiteration of the approval of the share swap between the Company and its parent and affiliates.

On March 28, 2022, pursuant to the approval of its BOD, the Company confirmed its plan to file the SRO based on its current unissued authorized capital stock of 1,875,649,995 shares, at an entitlement ratio of 1 share for every 1.28 shares held (from its current public float of 2,399,614,000 shares), at an offer price range that has been fixed at ₱1.60 to ₱1.76 per share, with the middle of this range being ₱1.68 per share.

On April 8, 2022, the Company filed with the SEC an application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the SRO, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code ("SRC") under which the exemption is based. The SEC issued the Confirmation of Exempt Transaction on July 19, 2022.

On July 4, 2022, the BOD of the Company approved the authorization to accept the transfer by way of donation of shares in Solar Philippines entities owned by LLL or CIHC, including shares in SP Holdings, Inc. (SPHI), which are not directly held by SPPPHI.

On July 12, 2022, the Company adjusted the offer price range to ₱1.50 to ₱1.76 per share, and offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three months of the offer period.

Pledge of Company's Shares owned by the Parent Company
On June 25, 2021, the Parent Company executed a pledge over all the Company's shares it holds to secure a loan by its affiliate, PIC, from AC Energy Corporation. The pledged stock certificates of the Company's shares were delivered to and is in the custody of the lender. The lender has agreed to provisionally return the stock certificates representing the pledged shares and to have the same placed under escrow for the exclusive purpose of enabling the IPO.

12. Income Taxes

The Company has no provision for current income tax in 2022 and 2021 since it is in gross loss and net tax loss positions.

The Company was registered with the BIR on April 6, 2017. The Company became subject to minimum corporate income tax for the taxable year 2021, which is the fourth taxable year immediately following the year of the Company's registration with the BIR as provided under the law.

The reconciliation of income tax benefit at the statutory income tax rates to the provision for (benefit from) income tax are as follows:

	2022	2021	2020
Income tax benefit at statutory income tax rates	**(₱7,195,000)**	(₱2,266,890)	(₱853,589)
Adjustments for:			
Transaction costs charged to APIC and retained earnings	**(10,066,198)**	(743,848)	–
Movement in unrecognized deferred income tax assets	**5,908,169**	3,849,747	849,885
Nondeductible expenses	**37,292**	65,891	3,774
Interest income subject to final tax	**(54,818)**	(609)	(70)
Provision for (benefit from) income tax – deferred	**(₱11,370,555)**	₱904,291	₱–

The components of the Company's recognized deferred income tax assets and liabilities follow:

	2022	2021
Deferred income tax asset on lease liability	**₱31,026,757**	₱28,870,833
Deferred income tax liability on ROU asset	**(20,560,493)**	(29,775,124)
Net deferred income tax asset (liability)	**₱10,466,264**	(₱904,291)

As of June 30, 2022, the Company has NOLCO for which no deferred income tax assets have been recognized as follows:

Year Incurred	Valid Until	Amount
July 2021 to June 2022	June 30, 2027	₱172,229,330
January to June 2021	June 30, 2026	6,762,211
2020	December 31, 2025	7,162,169
2019	December 31, 2022	4,464,964
		₱190,618,674

The movements in NOLCO are as follows:

	June 30, 2022	June 30, 2021
Balances at beginning of year	**₱19,078,574**	₱12,316,363
Additions	**172,229,330**	6,762,211
Expirations	**(689,230)**	–
Balances at end of year	**₱190,618,674**	₱19,078,574

No deferred income tax asset was recognized on the carryforward benefits of NOLCO as of June 30, 2022 and 2021 amounting to ₱190.6 million and ₱19.1 million, respectively, as management estimates that there would be no sufficient future taxable income yet to allow all or part of the deductible temporary difference to be utilized prior to their expiration.

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the 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. The CREATE Act took effect on April 11, 2021 which is 15 days after its publication in a newspaper of general circulation on March 27, 2021.

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 corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

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

As of June 30, 2022, the CREATE Act is considered substantively enacted applying PAS 12, *Income Taxes*. Accordingly, the Company is subject to a lower corporate income tax rate of 25% effective July 1, 2020 to operations not covered by the Renewable Energy (RE) Law. For activities covered by the RE Law, the 10% statutory income tax rate applies.

13. **Leases**

a. In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by the parties.

b. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area of 179.6 hectares in Peñaranda, Nueva Ecija. The Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.

c. In May 2021, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by the parties.

d. ROU assets as of June 30, 2022 and 2021 are as follows:

	June 30 2022	June 30, 2021
Balances at beginning of year	**₱297,751,234**	₱45,066,708
Additions	**–**	256,722,791
Amortization	**(5,420,370)**	(4,038,265)
Amortization capitalized to construction in progress*	**(5,420,370)**	–
Balances at end of year	**₱286,910,494**	₱297,751,234

**Incurred during the construction period (see Notes 1 and 6)*

e. Lease liabilities as of June 30, 2022 and 2021 are as follows:

	June 30 2022*	June 30, 2021
Balances at beginning of year	**₱289,525,826**	₱45,275,983
Additions	**–**	236,601,191
Interest expense	**9,142,009**	7,648,652
Interest expense capitalized to construction in progress*	**9,215,478**	–
Payments	**(14,004,465)**	–
Total lease liabilities	**293,878,848**	289,525,826
Current portion of lease liabilities	**(4,538,676)**	(14,004,465)
Noncurrent portion of lease liabilities	**₱289,340,172**	₱275,521,361

**Incurred during the construction period (see Notes 1 and 6)*

f. The following are the amounts recognized for the years ended June 30, 2022, 2021 and 2020 in the statements of comprehensive income:

	2022	2021	2020
Interest accretion of lease liabilities	**₱9,142,009**	₱7,648,652	₱2,023,771
Amortization of ROU assets	**5,420,370**	4,038,265	2,717,551
Total amount recognized in the statements of comprehensive income	**₱14,562,379**	₱11,686,917	₱4,741,322

g. As of June 30, 2022 and 2021, cash bond deposit amounting to ₱0.6 million, pertain to cash bond deposits paid to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land. On April 30, 2021, the Company received the DAR order for the conversion of 169.9 hectares of leased land. On October 11, 2021, the DAR issued the Certificate of Finality to the Company to effectively cause the conversion of said land from agricultural to industrial classification.

14. Financial Instruments and Financial Risk Management

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, due from a related party, performance bond, cash bond deposit, accounts payable and accrued expenses, due to a related party and lease liabilities. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Company, which comprise cash in banks, due from a related party, performance bond and cash bond deposit, the Company's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company's cash in banks, due from a related party, performance bond and cash bond deposit amounted to ₱1,443.9 million and ₱0.9 million as of June 30, 2022 and 2021, respectively.

Cash in banks
For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Due from a related party, performance bond and cash bond deposit
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality is further classified and assessed by reference to historical information about each of the counterparty's historical default rates. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Company has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed as insignificant.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The tables below show the maturity profile as of June 30, 2022 and 2021of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	June 30, 2022				
	On Demand	**< 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousand Pesos)		
Financial assets at amortized cost:					
Cash in banks	**₱886,658**	**₱–**	**₱–**	**₱–**	**₱886,658**
Due from a related party	**541,700**	**–**	**–**	**–**	**541,700**
Performance bond and cash bond deposit	**15,552**	**–**	**–**	**–**	**15,552**
	₱1,443,910	**₱–**	**₱–**	**₱–**	**₱1,443,910**
Financial liabilities at amortized cost:					
Accounts payable	**₱9,767**	**₱–**	**₱–**	**₱–**	**₱9,767**
Accrued expenses	**2,538**	**–**	**–**	**–**	**2,538**
Due to a related party	**22,792**	**–**	**–**	**–**	**22,792**
Lease liabilities	**4,539**	**–**	**91,597**	**582,193**	**678,329**
	₱39,636	**₱–**	**₱91,597**	**₱582,193**	**₱713,426**

	June 30, 2021				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Financial assets at amortized cost:					
Cash in banks	₱351	₱–	₱–	₱–	₱351
Cash bond deposit	552	–	–	–	552
	₱903	₱–	₱–	₱–	₱903

	June 30, 2021				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
Financial liabilities at amortized cost:					
Accounts payable	₱3,880	₱–	₱–	₱–	₱3,880
Accrued expenses	2,771	–	–	–	2,771
Due to a related party	22,792	–	–	–	22,792
Lease liabilities	13,187	–	79,983	599,162	692,332
	₱42,630	₱–	₱79,983	₱599,162	₱721,775

Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash in banks, due from a related party, performance bond, cash bond deposit, accounts payable, accrued expenses and due to a related party

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Lease liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used are 7.46% and 5.96% as at June 30, 2022 and 2021, respectively. The fair value of the lease liabilities amounted to ₱253.4 million and ₱299.2 million as of June 30, 2022 and 2021, respectively, while the carrying value of the lease liabilities amounted to ₱293.9 million and ₱289.5 million as of June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, the fair value of lease liabilities are measured using Level 3 valuation technique. For the years ended June 30, 2022 and 2021, there were no transfers into and out of Level 3 fair value measurements.

Capital Management

The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Company may issue new shares.

No changes were made in the objectives, policies or processes for the years ended June 30, 2022 and 2021.

The Company considers the following as its core capital:

	2022	2021
Capital stock	**₱812,435,001**	₱542,435,000
Additional paid-in capital	**2,347,338,021**	–
Deficit	**(85,716,108)**	(25,136,660)
	₱3,074,056,914	₱517,298,340

15. Basic/Diluted Loss Per Share

The basic/diluted loss per share amounts were computed as follows:

	2022	2021	2020
(a) Net loss attributable to equity holders of the Company	**₱60,579,448**	₱23,573,194	₱8,535,890
(b) Weighted average number of common shares outstanding	**6,999,350,005**	461,195,834	6,875,000
Basic/diluted loss per share (a/b)	**₱0.0087**	₱0.0511	₱1.2416

The Company does not have any dilutive potential common shares as at June 30, 2022, 2021 and 2020.

16. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective.

The Act aims to:

a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments (BOI), shall be entitled to the following incentives, among others:

i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;



iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

17. Changes in Liabilities Arising From Financing Activities

June 30, 2022

	July 1, 2021	Cash flows	Others	June 30, 2022
Due to a related party	₱22,792,348	₱–	₱–	₱22,792,348
Lease liabilities	289,525,826	(14,004,465)	18,357,487	293,878,848
Total liabilities from financing activities	**₱312,318,174**	**(₱14,004,465)**	**₱18,357,487**	**₱316,671,196**

June 30, 2021

	July 1, 2020	Cash flows	Others	June 30, 2021
Due to a related party	₱15,366,623	₱7,425,725	₱–	₱22,792,348
Lease liabilities	45,275,983	–	244,249,843	289,525,826
Total liabilities from financing activities	₱60,642,606	₱7,425,725	₱244,249,843	₱312,318,174

June 30, 2020

	July 1, 2019	Cash flows	Others	June 30, 2020
Due to a related party	₱8,444,628	₱6,921,995	₱–	₱15,366,623
Lease liabilities	47,563,954	(4,311,742)	2,023,771	45,275,983
Total liabilities from financing activities	₱56,008,582	₱2,610,253	₱2,023,771	₱60,642,606

18. **Other Matters**

Change in Allocation of IPO Proceeds
On December 20, 2021, the BOD of the Company approved the following:

a) Pending the use of IPO proceeds for future land acquisitions and capital expenditures, effective by January 19, 2022, to allow the Company to allocate such IPO proceeds towards bid bonds, bid security, and other expenses for potential off-take agreements, to enable the Company to be responsive to contracting opportunities as soon as they arise, in support of the Company's strategy to pursue off-take on an opportunistic basis.
b) The authority to transact with financial institutions to secure bid bonds and bid security for the projects of the Company.
c) Subject to applicable law, rules and regulations to be clarified, the incorporation and funding of wholly-owned subsidiaries to hold the IPO's use of proceeds and to receive instructions from the Company for the use of such proceeds.
d) The authority to file and submit all compliance, disclosures and any other reportorial requirements of the Company to the relevant regulatory agencies and the PSE.
e) Other ancillary powers and authorities necessary and proper for the execution of the above approvals.

On February 14, 2022, the BOD of the Company approved the acquisition of land in support of the Company's plan to develop 10 GW of solar projects, to be funded from proceeds of a rights offering and the proceeds from its IPO, as available, and the delegation of authority to the Company's President or his authorized representative to determine the location, particular parcels and terms for such land, and authority to execute contracts for this purpose.

On April 6, 2022, the BOD of the Company approved the authorization to allocate IPO proceeds to advance funding for pursuing off-take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SPHI, given that SPHI is a shareholder in Terra and that SPHI is to be a subsidiary by the Company, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

Angeles Electric Corporation (AEC) Competitive Selection Process (CSP)
On October 14, 2021, the Company expressed its interest to participate in the CSP of AEC for the supply of renewable energy to AEC. On December 7, 2021, the Company was determined to be the winning supplier for the said bidding. The contract awarded is for a term of ten (10) years commencing on March 26, 2023, or upon ERC approval, whichever comes later.

Renewable Power Supply Agreement with AEC
In February 2022, the Company secured a 10-year Offtake Agreement with Angeles Electric Corporation (AEC), a distribution utility in Pampanga Province under which the Company will supply AEC 97.8 MWh daily, representing a portion of the Project's capacity to supply energy once completed. Since the Company has excess capacity beyond this Offtake Agreement, the Company intends to continue to pursue additional Offtake Agreements through contracting on an opportunistic basis with RESs, and/or Distribution utilities ("DUs") by participating in further Competitive Selection Processes ("CSPs"). In the absence of additional Offtake Agreements, the Company intends to supply its excess generation power through the Wholesale Electricity Spot Market.

The Company provided a performance bond in relation to the project amounting to ₱15.0 million valid until May 25, 2023. The performance bond is presented as part of "Other current assets" in the statement of financial position (see Note 5).

Green Energy Auction Program (GEAP)
On June 24, 2022, the Company was awarded as one of the winning bidders by the DOE for the first round of the Green Energy Auction. The Company submitted a surety bond, as part of the bidding requirements. The premium of ₱1.35 million that was paid for the surety bond is presented as part of the "Other current assets" in the statement of financial position (see Note 5).

19. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

The Company reported and accrued/paid the following types of taxes in 2022:

VAT
The Company's sales are subject to output VAT while its purchases of goods and services from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. The Company has no declared and paid output VAT in 2022.

b. The amount of input VAT claimed is broken down as follows:

Balance at July 1	₱157,926
Domestic purchase of goods other than capital goods	–
Importation of goods	90,545,295
Domestic purchase of services	5,897,779
Balance at June 30	₱96,601,000

Taxes and Licenses
Details of taxes and licenses are as follows:

Mayor's permit and other fees	₱6,842,636
Payment to other government agencies	2,426,852
Real property tax	1,075,373
BIR annual registration fee	500
Others	75,677
Total	₱10,421,038

Withholding Taxes
The Company reported a total expanded withholding tax on professional fees, management fees, rental, commissions, and payments to certain contractors amounting to P18.1 million.

Documentary Stamp Tax

Non-life insurance policy	₱168,750
Loose documentary stamps	192
Total	₱168,942

Tax Contingencies
The Company did not receive any final tax assessments in 2022, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

We have audited the accompanying financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings Inc.) as at June 30, 2022 and for the year then ended, on which we have rendered the attached report dated July 25, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has twelve (12) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 114122-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022
PTR No. 8853497, January 3, 2022, Makati City

July 25, 2022

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings, Inc.) as at June 30, 2022 and 2021, and for each of the three years in the period ended June 30, 2022, included in this Form 17-A, and have issued our report thereon dated July 25, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 114122-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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PTR No. 8853497, January 3, 2022, Makati City

July 25, 2022



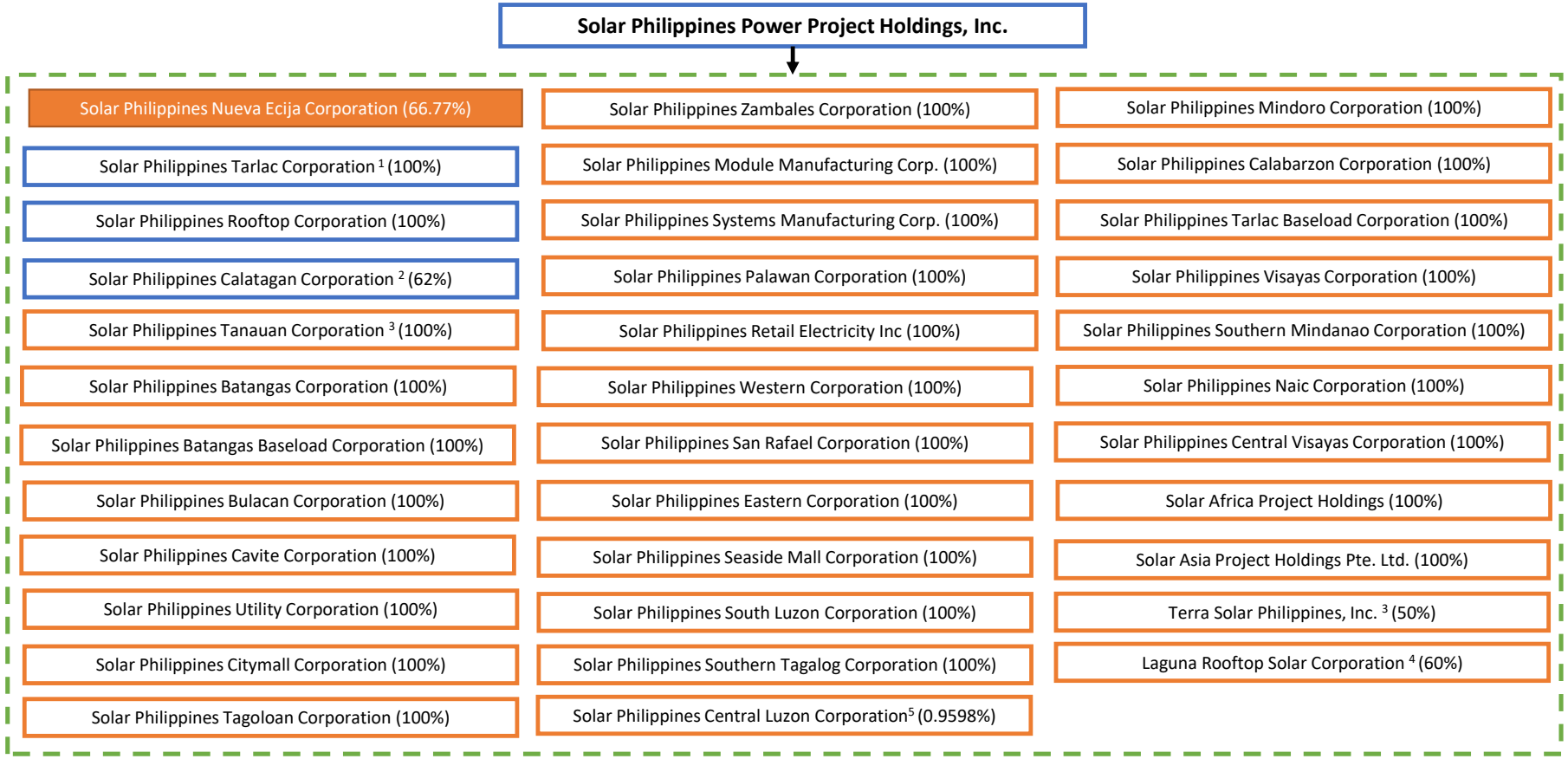
SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings Inc.)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

JUNE 30, 2022

Schedule	Contents
Index to the Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements *(not applicable)*
D	Long-Term Debt *(not applicable)*
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers *(not applicable)*
G	Capital Stock

Solar Philippines Power Project Holdings, Inc. & Subsidiaries
Corporate Structure
June 30, 2022



Notes:
1 In partnership with Prime Metro Power Holdings Corporation
2 In partnership with KEPCO Philippines Holdings, Inc.
3 In partnership with Prime Infrastructure Capital, Inc.
4 In partnership with DGA SP B.V.
5 In partnership with AC Energy Corporation

Legend:
Operating Entities
Non-operating Entities

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
JUNE 30, 2022

Deficit, July 1, 2021		(₱25,136,660)
Net loss during the year closed to deficit	(60,579,448)	
Less: Non-actual/unrealized income (net of tax)		
Benefit from income tax - deferred	(11,370,555)	
Net loss actually incurred for the year		(71,950,003)
TOTAL DEFICIT, JUNE 30, 2022		(₱97,086,663)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Solar Philippines Nueva Ecija Corporation
As of June 30, 2022 and 2021

Ratio	Formula	June 2022	June 2021
Current ratio	Dividing total current assets over total current liabilities	35.93	0.03
Acid test ratio	Dividing total current assets less inventory over total current liabilities	35.93	0.03
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	N/A	N/A
Debt-to-equity ratio	Dividing total liabilities over stockholders' equity	0.11	0.62
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	1.11	1.62
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	N/A	N/A
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	N/A	N/A
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	N/A	N/A
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	N/A	N/A

Solar Philippines Nueva Ecija Corporation

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Supplementary Schedules

A. Financial Assets

B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements *(not applicable)*

D. Long-Term Debt *(not applicable)*

E. Indebtedness to Related Parties

F. Guarantees of Securities of Other Issuers *(not applicable)*

G. Capital Stock

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE A - FINANCIAL ASSETS
As of June 30, 2022

FINANCIAL ASSETS	Name of Issuing Entity & association of each use	Amount shown in the balance sheet	Income received and accrued
Loans and receivables:			
Cash and cash equivalents		902,210,340	548,180
Trade Receivables			
Due from related parties		541,700,000	
Loans and notes receivables			
Advances to employees			
Non-trade Accounts Receivables			
Long term receivables			
Debt Service Reserve Account			
Financial assets at FVOCI			
Equity Investments			
Debt investments			
Financial asset at FVPL			
Derivative Assets			
TOTAL		1,443,910,340	548,180

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of June 30, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Accounts Written-off	Current	Not Current	Balance at End of Period
Employees	220,036	345,150	(547,263)	-	17,923	-	17,923
Directors							
TOTAL	**220,036**	**345,150**	**(547,263)**	**-**	**17,923**	**-**	**17,923**

Note: The Company keeps the information on the name & designation of employees and other details confidential. As per written agreement with the concerned employees, any outstanding balance at the time of retirement shall be deducted from the retirement benefit proceeds.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As of June 30, 2022

Name of Related Party	Balance at July 1, 2021	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non- Current	Amount Eliminated
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE D - LONG-TERM DEBT
As of June 30, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture			Balance at		Current Portion of Long-Term Debt		Long-Term Debt (Net of Current Portion)		Interest Rate	Amount and Number of Periodic Payments				Maturity Date
	(In original currency)	(In PhP)		(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)		(In original currency)		(Approx in PhP)	Periodic Payments	
TOTAL		-			-		-		-						

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
As of June 30, 2022

Name of Related Parties	Balance at beginning of period	Balance at end of period
SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.	22,792,348.00	22,792,348.00

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of June 30, 2022

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Nature of guarantee

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
SCHEDULE G - CAPITAL STOCK
As of June 30, 2022

Title of Issue	Number of shares authorized	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors and key executive officers
Common Share	10,000,000,000	8,124,350,005		5,724,485,998	359,007

ANNEX II:

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
AS OF 30 JUNE 2021 AND FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

Solar Philippines Nueva Ecija Corporation

(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

Financial Statements
June 30, 2021 and December 31, 2020
and for the Six-Month Periods Ended
June 30, 2021 and 2020

and

Independent Auditor's Report

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.), which comprise the statements of financial position as at June 30, 2021 and December 31, 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the six-month periods ended June 30, 2021 and 2020, 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 June 30, 2021 and December 31, 2020, and its financial performance and its cash flows for the six-month periods ended June 30, 2021 and 2020 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 the 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.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 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 Solar Philippines Nueva Ecija Corporation. 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.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

	June 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash (Notes 4 and 13)	**₱351,251**	₱22,298,155
Other current assets (Note 5)	**776,092**	20,750
Total Current Assets	**1,127,343**	22,318,905
Noncurrent Assets		
Right-of-use assets (Note 11)	**297,751,234**	44,146,980
Deposits for land acquisition (Note 6)	**537,000,000**	–
Other noncurrent assets (Note 11)	**1,370,284**	15,885
Total Noncurrent Assets	**836,121,518**	44,162,865
TOTAL ASSETS	**₱837,248,861**	₱66,481,770
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 7 and 13)	**₱6,728,056**	₱578,288
Due to related parties (Notes 8 and 13)	**22,792,348**	17,387,923
Current portion of lease liabilities (Notes 11 and 13)	**14,004,465**	4,311,742
Total Current Liabilities	**43,524,869**	22,277,953
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 11 and 13)	**275,521,361**	42,988,010
Deferred income tax liability (Note 10)	**904,291**	–
Total Noncurrent Liabilities	**276,425,652**	42,988,010
Total Liabilities	**319,950,521**	65,265,963
Equity (Note 9)		
Capital stock	**542,435,000**	1,000,000
Additional paid-in capital	**–**	21,250,000
Deficit	**(25,136,660)**	(21,034,193)
Total Equity	**517,298,340**	1,215,807
TOTAL LIABILITIES AND EQUITY	**₱837,248,861**	₱66,481,770

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

	2021	2020
INTEREST INCOME (Note 4)	**₱6,013**	₱209
EXPENSES		
Interest accretion of lease liabilities (Note 11)	**5,624,883**	2,023,771
Management fee (Note 8)	**4,000,000**	–
Amortization of right-of-use assets (Note 11)	**3,118,537**	919,729
Professional fee	**1,958,143**	220,000
Taxes and licenses	**1,445,372**	64,576
Penalties and surcharges	**797,695**	–
Others	**71,076**	1,150
	17,015,706	3,229,226
LOSS BEFORE INCOME TAX	**17,009,693**	3,229,017
PROVISION FOR DEFERRED INCOME TAX (Note 10)	**904,291**	–
NET LOSS	**17,913,984**	3,229,017
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱17,913,984**	₱3,229,017
Basic/Diluted Loss Per Share (Note 14)	**₱0.0099**	₱1.2916

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

	Capital Stock				
	Subscribed	Subscription Receivable	Additional Paid-in Capital	Deficit	Total
Balances at January 1, 2020	₱250,000	(₱187,500)	₱–	(₱12,145,966)	(₱12,083,466)
Total comprehensive loss for the period	–	–	–	(3,229,017)	(3,229,017)
Balances at June 30, 2020	250,000	(187,500)	–	(15,374,983)	(15,312,483)
Collection of subscription receivable (Note 9)	–	187,500	–	–	187,500
Issuance of shares of stock (Note 9)	750,000	–	21,250,000	–	22,000,000
Total comprehensive loss for the period	–	–	–	(5,659,210)	(5,659,210)
Balances at January 1, 2021	1,000,000	–	21,250,000	(21,034,193)	1,215,807
Issuance of shares of stock (Note 9)	541,435,000	–	–	–	541,435,000
Application of APIC against deficit (Note 9)	–	–	(21,034,193)	21,034,193	–
Stock issuance costs (Note 9)	–	–	(215,807)	(7,222,676)	(7,438,483)
Total comprehensive loss for the period	–	–	–	(17,913,984)	(17,913,984)
Balances at June 30, 2021	₱542,435,000	₱–	₱–	(₱25,136,660)	₱517,298,340

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱17,009,693)**	(₱3,229,017)
Adjustments for:		
Interest accretion of lease liabilities (Note 11)	**5,624,883**	2,023,771
Amortization of right-of-use assets (Note 11)	**3,118,537**	919,729
Interest income (Note 4)	**(6,013)**	(209)
Operating loss before working capital changes	**(8,272,286)**	(285,726)
Increase in other current assets	**(755,342)**	–
Increase (decrease) in accounts payable and accrued expense	**6,149,768**	(124,913)
Cash used in operations	**(2,877,860)**	(410,639)
Interest received	**6,013**	209
Net cash flows used in operating activities	**(2,871,847)**	(410,430)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of deposits for land acquisition (Note 6)	**(537,000,000)**	–
Additions to right-of-use assets (Note 11)	**(20,121,600)**	–
Additions to other noncurrent assets	**(1,354,399)**	(552,038)
Cash flows used in investing activities	**(558,475,999)**	(552,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares of stock (Note 9)	**541,435,000**	–
Net advances from related parties (Notes 8 and 12)	**5,404,425**	4,698,000
Stock issuance costs (Note 9)	**(7,438,483)**	–
Payment of lease liabilities (Notes 11 and 12)	**–**	(4,311,742)
Net cash flows from financing activities	**539,400,942**	386,258
NET DECREASE IN CASH	**(21,946,904)**	(576,210)
CASH AT JANUARY 1	**22,298,155**	713,743
CASH AT JUNE 30 (Notes 4 and 13)	**₱351,251**	₱137,533

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

(a) Organization

Solar Philippines Nueva Ecija Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy. As of June 30, 2021, the Company has not yet started commercial operations.

The Company is a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc. (SPPPHI or Parent Company), a corporation organized in the Republic of the Philippines.

(b) The Project

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded Solar Energy Service Contract (SESC) No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to the Company (see Note 15). On February 23, 2018, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of the Company which recognizes the Company as a Renewable Energy (RE) developer.

The Project is a 500 megawatt peak (MWdc) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWdc solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MWdc and Phase 1B at 175 MWdc. The Company targets that Phase 1A shall be commissioned in the first half of 2022 while Phase 1B is planned to be commissioned in the second half of 2022. Moving forward, the Company plans to construct an additional 275 MWdc (Phase 2) after it has commissioned Phase 1.

On August 20, 2019, the Company has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality ("COCOC") on the Project. As of July 14, 2021, the Company is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

(c) Principal Office Address

The registered business address of the Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

(d) Change in Fiscal Year

On March 29, 2021, the Board of Directors (BODs) approved the change in the Company's fiscal year from January 1 to December 31 each year to July 1 to June 30 each year. On April 6, 2021, the Company filed its application for the change in fiscal year with the SEC and was approved on April 14, 2021.

Moreover, the Company opted to adopt the new fiscal year for tax purposes, subject to the approval of the Bureau of Internal Revenue (BIR). The complete requirements for the change in accounting period for tax purposes were submitted to the BIR on May 20, 2021.

(e) Authorization for the Issuance of the Financial Statements

The financial statements of the Company as of June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020 were authorized for issue by the BODs on July 14, 2021.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

The accompanying financial statements as of June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020 have been prepared for filing with the BIR due to the change in accounting period, and inclusion in the prospectus in relation to the planned initial public offering (IPO) of the Company.

Statement of Compliance

The financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.



Unless otherwise indicated, adoption of these new standards did not have any impact on the financial statements of the Company.

- Amendments to PFRS 9, *Financial Instruments,* PFRS 7, *Financial Instruments: Disclosures,* PFRS 4, *Insurance Contracts* and PFRS 16, *Leases*, *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 Company shall also disclose information 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 January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods. The amendments are not expected to have any impact on the Company's financial statements.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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



Cash
Cash in the statement of financial position comprise cash on hand and with banks.

Financial Instruments
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.

The Company has the following financial assets and liabilities:

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

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

Financial assets at amortized cost (debt instruments)
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; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash and cash bond deposit included under other current assets as of June 30, 2021 and December 31, 2020 (see Notes 4, 5 and 13).

The Company has no financial assets at FVOCI and FVPL.

Financial liabilities
Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Company's loans and borrowings include "Accounts payable and accrued expenses", excluding payable to employees and government agencies, "Due to related parties" and "Lease liabilities" as of June 30, 2021 and December 31, 2020 (see Notes 7, 8, 11 and 13).

As of June 30, 2021 and December 31, 2020, the Company has no financial liabilities at FVPL.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



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

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement
Fair value is the estimated 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 in its highest and best use.

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



All assets and liabilities for which fair value is measured or disclosed in the Company's 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; and
- 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 the end of each reporting period.

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.

Input Value-Added Tax (VAT)
Input VAT represents the VAT due or paid on purchases of goods and services that the Company can claim against any future liability to the BIR for output VAT from sale of goods and services. Input VAT is stated at cost less accumulated impairment losses, if any.

Right-of-use (ROU) Assets
It is the Company's policy to classify ROU assets as part of property, plant and equipment. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment (refer to Impairment of Nonfinancial Assets policy).

Deposits for Land Acquisition
Deposits for land acquisition pertain to non-refundable deposits and payments made in relation to the acquisition of parcels of land and are stated at the amount paid less any impairment in value.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the



carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the year in which it arises. In the case of input VAT, an allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Common Stock
Common stock is measured at par value and is classified as equity for all stocks issued.

Additional paid-in capital (APIC)
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the APIC account.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.
The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) ROU assets
Refer to ROU assets policy.

ii) Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed

payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

Interest Income
Interest income is recognized as interest accrues, using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Expenses are generally recognized when the services are used, or the expenses arise.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.



Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the income tax returns with respect to situations in which applicable income tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

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

Earnings (Loss) Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares. As of June 30, 2021 and December 31, 2020, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments
The Company's operating businesses are organized and managed separately according to the business units. The Company has no operating segments as it has not yet commenced its commercial operations as of June 30, 2021 and December 31, 2020.



Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

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

Future Changes in Accounting Policies
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 to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after July 1, 2022

- Amendments to PFRS 3, *Business Combinations*, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after July 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after July 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".



The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after July 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after July 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Fees in the '10 percent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after July 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after July 1, 2022 with earlier adoption permitted.



Effective beginning on or after July 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - what is meant by a right to defer settlement;
  - that a right to defer must exist at the end of the reporting period;
  - that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after July 1, 2023 and must be applied retrospectively.

  The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - a specific adaptation for contracts with direct participation features (the variable fee approach)
  - a simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after July 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures, 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.

3. Significant Accounting Estimate and Assumption

The Company's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items are those matters which the Company assess to have significant risks arising from estimation uncertainties:

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Estimates

Estimating Useful Life of ROU Assets

The Company estimates the useful lives of ROU assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

The carrying amount of ROU assets amounted to ₱297.8 million and ₱44.1 million as of June 30, 2021 and December 31, 2020, respectively (see Note 11).

Estimating the incremental borrowing rate (IBR)

The Company uses its IBR to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The carrying amount of lease liabilities amounted to ₱289.5 million and ₱47.3 million as of June 30, 2021 and December 31, 2020, respectively (see Note 11).

Estimating Impairment of Nonfinancial Assets
The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends including impact of COVID-19.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying value of deposits for land acquisition amounted to ₱537.0 million as of June 30, 2021 (see Note 6). There were no deposits for land acquisition in 2020. No impairment loss was recognized on deposits for land acquisition in 2021.

Estimating the Realizability of Deferred Income Tax Assets
Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (NOLCO) and temporary differences on ROU assets and lease liabilities amounting to ₱19.1 million and ₱13.3 million as of June 30, 2021 and December 31, 2020, respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized (see Note 10).

4. Cash

	June 30, 2021	December 31, 2020
Cash in banks	**₱351,251**	₱22,248,155
Cash on hand	–	50,000
	₱351,251	₱22,298,155

Cash in banks earns interest at the respective bank deposit rates. Total interest earned on cash in bank, net of final tax, amounted to ₱6.0 thousand and ₱0.2 thousand for the six-month periods ended June 30, 2021 and 2020, respectively.

5. Other Current Assets

	June 30, 2021	December 31, 2020
Cash bond deposit (Note 11)	**₱552,038**	~~₱~~–
Others	**224,054**	20,750
	₱776,092	~~₱~~20,750

Others include advances to employees of the Parent Company.

6. Deposits for Land Acquisition

Memorandum of Agreement (MOA) with Provincia Investments Corporation
On February 20, 2021, the Company entered into a MOA with an affiliate, Provincia Investments Corporation (PIC), which MOA was later amended on March 3, 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by the PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., deeds of absolute sale to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the deeds of absolute sale (DOAs), the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267.0 million, which represents the full payment.

MOA with Lupang Hinirang Holdings Corporation (LHHC)
On April 19, 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by the LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g. deeds of absolute sale to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAs, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270.0 million, which represents the full payment.

These advance payments for a total consideration of ₱537.0 million are presented as "Deposits for land acquisition" in the statement of financial position as of June 30, 2021.

7. Accounts Payable and Accrued Expenses

	June 30, 2021	December 31, 2020
Accounts payable (Note 8)	**₱3,880,000**	~~₱~~144,120
Accrued expenses	**2,771,054**	86,074
Withholding tax payable	**73,080**	345,674
Other payables	**3,922**	2,420
	₱6,728,056	~~₱~~578,288

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on leases and professional fees. Accrued expenses consist of accrual for professional fees.

8. Related Party Transactions

Parties are considered to be related if, among others, 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, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

a. The Company, in the normal course of business, has cash advances transactions with its Parent Company, SPPPHI and an affiliate for administrative requirements.

	Transactions during the six-month periods ended June 30		Outstanding balance as of			
	2021	2020	**June 30, 2021**	December 31, 2020	Terms	Conditions
Due to related parties:						
Parent:						
SPPPHI						
Cash advances	**₱5,405,436**	₱4,945,000	**₱22,792,348**	₱17,386,912	Due and demandable; non-interest bearing	Unsecured
Affiliate						
Cash advances	–	–	**–**	1,011	Due and demandable; non-interest bearing	Unsecured
	₱5,405,436	₱4,945,000	**₱22,792,348**	₱17,387,923		
Accounts payable (Note 7)						
SPPPHI					Due and demandable;	
Management fee	**₱4,000,000**	₱–	**₱3,880,000**	₱–	non-interest bearing	Unsecured

b. On February 20, 2021, the Company entered into a MOA with PIC, which was later amended on March 3, 2021, to secure land covering a total area of 68.621 hectares for a total amount of ₱267.0 million (see Note 6).

c. On April 19, 2021, the Company entered into a MOA with LHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 6).

d. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned to the Company all of its rights and obligations under the September 6, 2016 lease agreement covering a total land

area of 169.9 hectares, among others, and the Company accepted and assumed all of the said rights and obligations thus assigned, pursuant to the said Deed of Assignment (see Note 11).

e. On April 30, 2021 the Company entered into a Management Service Agreement (MSA) with the Parent Company to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million.

The Management Service Agreement covers all necessary administrative and advisory services on management, investment and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology.

f. The Company has no employees as of June 30, 2021 and December 31, 2020. Prior to May 2021, the administrative and finance functions of the Company were being handled by the Parent Company at no cost to the Company. Starting May 2021, the key administrative and finance functions are performed by SPPPHI through the MSA. Management fee recognized in 2021 amounted to ₱4.0 million.

9. Equity

The details of the Company's capital stock as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021		December 31, 2020	
	Shares	**Amount**	Shares	Amount
Common shares - ₱0.1 par value per share*				
Authorized:	**10,000,000,000**	**₱1,000,000,000**	10,000,000	₱1,000,000
Issued and outstanding:				
Balances at beginning of period	**10,000,000**	**₱1,000,000**	2,500,000	₱250,000
Issuance of shares during the period	**5,414,350,000**	**541,435,000**	7,500,000	750,000
Balances at end of period	**5,424,350,000**	**₱542,435,000**	10,000,000	₱1,000,000

**The SEC approved the decrease in par value of common stock from ₱1.0 per share to ₱0.10 per share in March 2021.*

In December 2020, the Company collected the outstanding subscription receivable amounting to ₱0.2 million from the Parent Company.

On December 14, 2020, the BOD approved the issuance of 750,000 common shares for a total amount of ₱22.0 million for an issue price of ₱29.3 per share to the Parent Company. The amount in excess of the par value totaling to ₱21.3 million is presented as "Additional paid-in capital" in the statement of financial position as of December 31, 2020.

On the same day, the BOD of the Company approved the following:

- Decrease in par value of common stock from ₱1.0 per share to ₱0.10 per share without decrease in authorized common stock and without returning any portion of subscribed capital to the Company's stockholders, thereby making the authorized common stock to ₱1.0 million divided into 10.0 million shares with par value of ₱0.10 per share from ₱1.0 million divided into 1.0 million shares with par value of ₱1.0 per share.

- Increase in authorized common stock from ₱1.0 million divided into 10.0 million common shares with par value of ₱0.10 per share to ₱1,000 million divided into 10,000 million shares with par value of ₱0.10 per share.

In February and March 2021, the Company received from its Parent Company ₱268.4 million for the subscription of 2,684.4 million shares at par value of ₱0.1 per share.

On March 3, 2021, the BOD approved to apply the APIC of ₱21.3 million against the deficit as of December 31, 2020 amounting to ₱21.0 million.

On March 18, 2021, the Company has filed with the SEC the following:

- Decrease in par value of common stock from ₱1.0 per share to ₱0.10 per share;
- Increase authorized common stock from ₱1.0 million to ₱1,000 million; and
- Application of APIC to deficit amounting to ₱21.0 million.

In May 2021, the Company received the SEC's approval of the above applications.

In April and May 2021, the Company received additional subscription from its Parent Company totaling to ₱273.0 million for 2,730.0 million shares at par value of ₱0.10 per share.

As of the June 30, 2021, the Company's authorized capital stock is ₱1,000.0 million, consisting of 10,000.0 million common shares with a par value of ₱0.10 per share, of which 5,424.4 million common shares are issued and outstanding. Total share issuance cost incurred amounted to ₱7.4 million of which ₱0.2 million was applied against the remaining balance of APIC while the remaining ₱7.2 million was charged against deficit.

On June 25, 2021, the Parent Company executed a pledge over all the Company's shares of stock that it holds to secure a loan by its affiliate, PIC from AC Energy Corporation (the lender). The stock certificates of the Company's shares pledged were delivered to and is in the custody of the lender. The lender agreed to return the stock certificates to the Parent Company to enable to the Parent Company and the Company to comply with the lock-up rules of the Philippine Stock Exchange.

10. Income Taxes

The Company has no provision for current income tax in 2021 and 2020 since it is in gross loss and net tax loss positions.

The Company became subject to minimum corporate income tax for the taxable year 2021, which is the fourth taxable year immediately following the year of the Company's registration with the BIR as provided under the law. The Company was registered with the BIR on April 6, 2017.

The reconciliation of the statutory income tax to the effective income tax in 2021 and 2020 are as follows:

	For the Six-Month Periods Ended June 30	
	2021	2020
Income tax benefit at statutory income tax rates	**(₱1,700,969)**	(₱322,902)
Adjustments for:		
Movement in unrecognized deferred income tax assets	**3,283,818**	322,923
Transaction costs charged to APIC and retained earnings	**(743,848)**	–
Nondeductible expenses	**65,891**	–
Interest income subject to final tax	**(601)**	(21)
Provision for deferred income tax	**₱904,291**	₱–

The Company recognized provision for deferred tax amounting to ₱0.9 million for the six-month period ended June 30, 2021 and deferred tax liability of ₱0.9 million as of June 30, 2021 arising from the difference between ROU assets and lease liabilities.

As of June 30, 2021, the Company has carryover NOLCO for which no deferred income tax assets have been recognized as follows:

Year Incurred	Date of Expiration	Amount
2021	June 30, 2026	₱6,762,211
2020	December 31, 2025	7,162,169
2019	December 31, 2022	4,464,964
2018	December 31, 2021	689,230
		₱19,078,574

The movements in NOLCO are as follows:

	For the six-month period ended	For the year ended
Balances at beginning of period	**₱12,316,363**	₱5,922,061
Additions	**6,762,211**	7,162,169
Expirations	**–**	(767,867)
Balances at end of period	**₱19,078,574**	₱12,316,363

No deferred tax asset was recognized on the carryforward benefits of NOLCO as of June 30, 2021 amounting to ₱28.0 million and the carryforward benefits of NOLCO and the deductible temporary difference in ROU assets and lease liabilities as of December 31, 2020 totaling to ₱13.3 million, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized.

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the 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. The CREATE Act took effect on April 11, 2021 which is 15 days after its publication in a newspaper of general circulation on March 27, 2021.

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 corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

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

As of June 30, 2021, the CREATE Act is considered substantively enacted applying PAS 12, *Income Taxes*. Accordingly, the Company is subject to a lower corporate income tax rate of 25% effective July 1, 2020 to operations not covered by the RE Law. For activities covered by the RE Law, the 10% statutory rate applies.

11. **Leases**

a. In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱45,000 per hectare, net of tax, and is subject to an increase of 5% in rental payments after every five (5) years.

b. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area 179.6 hectares in Peñaranda, Nueva Ecija. The Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. The annual rental increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five (5) years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.

c. In May 2021, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three (3) years.

The Company also paid a gratuity fee of ₱0.9 million, included under other noncurrent assets, which shall be deducted against advance rental in the event that the due diligence of the Company

is not satisfactory and/or project permits or approvals are denied by the relevant government agencies. As of July 14, 2021, the Company has yet to complete its due diligence.

d. ROU assets as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Balances at beginning of period	**₱44,146,980**	₱45,986,437
Additions	**256,722,791**	–
Amortization	**(3,118,537)**	(1,839,457)
Balances at end of period	**₱297,751,234**	₱44,146,980

e. Lease liabilities as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Balances at beginning of period	**₱47,299,752**	₱47,563,954
Additions	**236,601,191**	–
Interest expense	**5,624,883**	4,047,540
Payments	**–**	(4,311,742)
Total lease liabilities	**289,525,826**	47,299,752
Current portion of lease liabilities	**(14,004,465)**	(4,311,742)
Noncurrent portion of lease liabilities	**₱275,521,361**	₱42,988,010

f. The following are the amounts recognized for the six-month periods ended June 30, 2021 and 2020 in the statements of comprehensive income:

	For the Six-Month Periods Ended June 30	
	2021	2020
Interest expense	**₱5,624,883**	₱2,023,771
Amortization of ROU assets	**3,118,537**	919,729
Total amount recognized in the statements of comprehensive income	**₱8,743,420**	₱2,943,500

g. As of June 30, 2021 and December 31, 2020, cash bond deposit amounting to ₱0.6 million and nil, respectively, pertain to cash bond deposits paid to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land. On April 30, 2021, the Company received the DAR order for the conversion of 169.9 hectares of leased land.

12. **Notes to Statements of Cash Flows**

2021

	December 31, 2020	Cash flows	Others	June 30, 2021
Due to related parties	**₱17,387,923**	**₱5,404,425**	**₱–**	**₱22,792,348**
Lease liabilities	**47,299,752**	**–**	**242,226,074**	**289,525,826**
Total liabilities from financing activities	**₱64,687,675**	**₱5,404,425**	**₱242,226,074**	**₱312,318,174**

2020

	December 31, 2019	Cash flows	Others	June 30, 2020
Due to related parties	₱10,668,623	₱4,698,000	₱–	₱15,366,623
Lease liabilities	47,563,954	(4,311,742)	2,023,771	45,275,983
Total liabilities from financing activities	₱58,232,577	₱386,258	₱2,023,771	₱60,642,606

In 2021 and 2020, the "Others" refer to the additions and accretion of interest related to the lease liabilities and reclassification of related parties.

13. **Financial Instruments and Financial Risk Management**

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash in bank, accounts payable and accrued expenses and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Company, which comprise cash (excluding cash on hand), the Company exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company's cash in banks amounted to ₱0.4 million and ₱22.2 million as of June 30, 2021 and December 31, 2020, respectively.

Credit Quality of Financial Assets
Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include

customers, banks and related parties who pay on or before the due date. The Company considers cash in banks as high grade.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The tables below show the maturity profile as of June 30, 2021 and December 31, 2020 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	June 30, 2021				
	On Demand	**< 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	**₱351**	**₱–**	**₱–**	**₱–**	**₱351**
Cash bond deposit	**552**	**–**	**–**	**–**	**552**
	₱903	**₱–**	**₱–**	**₱–**	**₱903**
Liabilities at amortized cost:					
Accounts payable	**₱3,880**	**₱–**	**₱–**	**₱–**	**₱3,880**
Accrued expenses	**2,771**	**–**	**–**	**–**	**2,771**
Due to related parties	**22,792**	**–**	**–**	**–**	**22,792**
Lease liabilities	**13,187**	**–**	**79,983**	**599,162**	**692,332**
	₱42,630	**₱–**	**₱79,983**	**₱599,162**	**₱721,775**

	December 31, 2020				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	₱22,248	₱–	₱–	₱–	₱22,248
Liabilities at amortized cost:					
Accounts payable	₱144	₱–	₱–	₱–	₱144
Accrued expenses	86	–	–	–	86
Due to related parties	17,388	–	–	–	17,388
Lease liabilities	4,311	–	26,733	79,457	110,501
	₱21,929	₱–	₱26,733	₱79,457	₱128,119

Fair Value and Category of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash in banks, cash bond deposit, accounts payable and accrued expenses and due to related parties
The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Lease liabilities
The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used are 5.96% and 5.37% in 2021 and 2020, respectively. The fair value of the lease liabilities amounted to ₱299.2 million and ₱58.1 million as of June 30, 2021 and December 31, 2020, respectively, while the carrying value of the lease liabilities amounted to ₱288.7 million and ₱47.3 million as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021 and December 31, 2020, the fair value of lease liabilities are measured using Level 3 valuation technique. For the six-month period ended June 30, 2021 and for the year ended December 31, 2020, there were no transfers into and out of Level 3 fair value measurements.

Capital Management
As the Company has not started commercial operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the six-month period ended June 30, 2021 and for the year ended December 31, 2020.

The Company considers the following as its core capital:

	June 30, 2021	December 31, 2020
Due to related parties	**₱22,792,348**	₱17,387,923
Capital stock	**542,435,000**	1,000,000
Additional paid-in capital	**–**	21,250,000
Deficit	**(25,136,660)**	(21,034,193)
	₱540,090,688	₱18,603,730

14. Basic/Diluted Loss Per Share

The basic/diluted loss per share amounts were computed as follows:

	June 30, 2021	June 30, 2020
(a) Net loss attributable to equity holders of the Company	**₱17,913,984**	₱3,229,017
(b) Weighted average number of common shares outstanding	**1,811,450,000**	2,500,000
Basic/diluted loss per share (a/b)	**₱0.0099**	₱1.2916

The Company does not have any dilutive potential common shares as at June 30, 2021 and 2020.

The weighted average number of common shares outstanding for the six-month periods ended June 30, 2021 and 2020 consider the effect of the decrease in par value approved by the SEC in May 2021 (see Note 9).

15. Solar Energy Service Contract (SESC)

On August 22, 2017, SPCRPI, an affiliate of the Company, entered into a Solar Energy Service Contract (SESC) with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 648 hectares. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality. A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of 25 years from the effective date. One year before the expiration of the initial 25 years period, the Company may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as the Company is not in default of any material obligations under the SESC.

On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2017-06-404, including all of its annexes to the Company which has been approved. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and the Company. On that same day, the DOE issued a Certificate of Registration (COR) in favor of the Company as an RE Developer of Solar Energy Resources in Sta. Rosa, Peñaranda and San Leonardo, Nueva Ecija which covers SESC No. 2017-06-404.

On August 20, 2019, the Company has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality ("COCOC") on the Project. As of July 14, 2021, the Company is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

16. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective.

The Act aims to:

a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by

the DOE, in consultation with the Board of Investments (BOI), shall be entitled to the following incentives, among others:

i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

17. **Other Matters**

COVID-19

In a move to contain the COVID-19 outbreak, 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 (NCR) 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 (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the NCR. The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension until March 28, 2021. On March 29, 2021, the government reinstated the ECQ until April 11, 2021 in selected areas including the NCR. Starting April 12, 2021, NCR was placed under the modified ECQ until May 15, 2021, and was subsequently shifted to general community quarantine with some restrictions until July 15, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company was not materially affected by the COVID-19 outbreak as it has not yet started commercial operations. Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

Pledge of Company's Shares owned by the Parent Company
On June 25, 2021, the Parent Company executed a pledge over all the Company's shares it holds to secure a loan by its affiliate, PIC from AC Energy Corporation. The stock certificates of the Company's shares pledged were delivered to and is in the custody of the lender. The lender agreed to return the stock certificates to the Parent Company to enable to the Parent Company and Company to comply with the lock up rules of the Philippine Stock Exchange.

18. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

The Company reported and accrued/paid the following types of taxes in 2021:

VAT
The Company's sales are subject to output VAT while its purchases of goods and services from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. The Company has no declared and paid output VAT in 2021.

b. The amount of input VAT claimed is broken down as follows:

Balance at January 1	₱128,168
Domestic purchase of goods other than capital goods	161
Domestic purchase of services	29,597
Balance at June 30	₱157,926

Taxes and Licenses
Details of taxes and licenses are as follows:

Real property tax	₱157,503
Mayor's permit and other fees	137,865
BIR annual registration fee	500
Total	₱295,868

Withholding Taxes
The Company reported a total expanded withholding tax on professional fees, rental and purchase of goods amounting to ₱1.7 million.

Documentary Stamp Tax

Issuance of shares	₱5,414,440
Lease agreements	1,149,504
Total	₱6,563,944

Documentary stamp taxes paid pertaining to lease agreements amounting to ₱1.1 million were presented as part of "Taxes and licenses" in the statement of comprehensive income while documentary stamp taxes paid pertaining to issuance of shares amounting to ₱5.4 million were offset against APIC and retained earnings.

Tax Contingencies

The Company did not receive any final tax assessments in 2021, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR.

ANNEX III:

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEARS ENDED
31 DECEMBER 2020, 2019, 2018, AND 2017

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	6	2	7	3	0	0

COMPANY NAME

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION (A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

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

112 LEGASPI STREET, LEGASPI VILLAGE, BRGY. SAN LORENZO, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
sp.corporatelegal@solarphilippines.ph	(02) 8817-2585	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	First Monday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Hazel Iris P. Lafuente	hazel@solarphilippines.ph	(02) 8817-2585	09178816684

CONTACT PERSON's ADDRESS

20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City

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

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

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.), which comprise the statements of financial position as at December 31, 2020, 2019, 2018 and 2017, and statements of comprehensive income, statements of changes in equity (capital deficiency) 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, 2019, 2018 and 2017, 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.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31			
	2020	2019	2018	2017
ASSETS				
Current Assets				
Cash (Notes 4 and 14)	**₱22,298,155**	₱713,743	₱3,148,283	₱124,731
Other current assets (Note 5)	**25,370**	20,750	19,751	–
Total Current Assets	**22,323,525**	734,493	3,168,034	124,731
Noncurrent Assets				
Right-of-use assets (Note 11)	**44,146,980**	45,986,437	–	–
Deposit for land acquisition (Note 8)	**–**	–	34,926,712	32,926,712
Other noncurrent assets (Note 6)	**11,265**	11,265	4,311,742	–
Total Noncurrent Assets	**44,158,245**	45,997,702	39,238,454	32,926,712
TOTAL ASSETS	**₱66,481,770**	₱46,732,195	₱42,406,488	₱33,051,443
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)				
Current Liabilities				
Accounts payable and accrued expenses (Notes 7 and 14)	**₱578,288**	₱583,084	₱56,564	₱76,089
Due to related parties (Notes 8 and 14)	**17,387,923**	10,668,623	44,030,325	33,962,295
Current portion of lease liabilities (Notes 11 and 14)	**4,311,742**	4,311,742	–	–
Total Current Liabilities	**22,277,953**	15,563,449	44,086,889	34,038,384
Noncurrent Liability				
Lease liabilities - net of current portion (Notes 11 and 14)	**42,988,010**	43,252,212	–	–
Total Liabilities	**65,265,963**	58,815,661	44,086,889	34,038,384
Equity (Capital Deficiency) (Note 9)				
Capital stock	**1,000,000**	250,000	250,000	250,000
Subscription receivable	**–**	(187,500)	(187,500)	(187,500)
Additional paid-in capital	**21,250,000**	–	–	–
Deficit	**(21,034,193)**	(12,145,966)	(1,742,901)	(1,049,441)
Total Equity (Capital Deficiency)	**1,215,807**	(12,083,466)	(1,680,401)	(986,941)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	**₱66,481,770**	₱46,732,195	₱42,406,488	₱33,051,443

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31			
	2020	2019	2018	2017
INTEREST INCOME (Note 4)	**₱286**	₱895	₱389	₱81
EXPENSES				
Interest (Note 11)	**4,047,540**	4,049,803	–	–
Bid-related cost	**1,909,091**	–	–	112,000
Amortization of right-of-use of assets (Note 11)	**1,839,457**	1,839,457	–	–
Professional fees	**913,889**	2,429,971	118,250	43,116
Provisions for impairment loss (Note 5)	**109,091**	14,243	4,620	214
Taxes and licenses	**8,615**	28,634	88,554	140,708
Transportation and travel	**150**	796,506	72,136	341,535
Inspection and zoning fee	**–**	–	327,600	–
Representation	**–**	35,453	9,814	39,909
Meals and per diem	**–**	450,267	45,021	105,224
Rentals (Note 11)	**–**	628,628	–	–
Others	**60,680**	130,998	27,854	25,366
	8,888,513	10,403,960	693,849	808,072
LOSS BEFORE INCOME TAX	**8,888,227**	10,403,065	693,460	807,991
PROVISION FOR INCOME TAX (Note 10)				
Current	**–**	–	–	–
Deferred	**–**	–	–	–
	–	–	–	–
NET LOSS	**8,888,227**	10,403,065	693,460	807,991
OTHER COMPREHENSIVE INCOME	**–**	–	–	–
TOTAL COMPREHENSIVE LOSS	**₱8,888,227**	₱10,403,065	₱693,460	₱807,991
Basic/Diluted Loss Per Share (Note 13)	**₱3.160**	₱4.161	₱0.277	₱0.323

See accompanying Notes to Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, 2018 AND 2017

	Capital Stock				
	Subscribed	Subscription Receivable	Additional Paid-in Capital	Deficit	Total
Balances at January 1, 2019	₱250,000	(₱187,500)	₱–	(₱1,742,901)	(₱1,680,401)
Total comprehensive loss	–	–	–	(10,403,065)	(10,403,065)
Balances at December 31, 2019	250,000	(187,500)	–	(12,145,966)	(12,083,466)
Collection of subscription (Note 9)	–	187,500	–	–	187,500
Issuance of shares (Note 9)	750,000	–	21,250,000	–	22,000,000
Total comprehensive loss	–	–	–	(8,888,227)	(8,888,227)
Balances at December 31, 2020	₱1,000,000	₱–	₱21,250,000	(₱21,034,193)	₱1,215,807

	Common Stock				
	Subscribed	Subscription Receivable	Additional Paid-in Capital	Deficit	Total
Balances at January 1, 2017	₱250,000	(₱187,500)	₱–	(₱241,450)	(₱178,950)
Total comprehensive loss	–	–	–	(807,991)	(807,991)
Balances at December 31, 2017	250,000	(187,500)	–	(1,049,441)	(986,941)
Total comprehensive loss	–	–	–	(693,460)	(693,460)
Balances at December 31, 2018	₱250,000	(₱187,500)	₱–	(₱1,742,901)	(₱1,680,401)

See accompanying Notes to Financial Statements.



SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31			
	2020	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	**(₱8,888,227)**	(₱10,403,065)	(₱693,460)	(₱807,991)
Adjustments for:				
Interest expense (Note 11)	**4,047,540**	4,049,803	–	–
Amortization of ROU assets (Note 11)	**1,839,457**	1,839,457	–	–
Provision for impairment loss on input VAT (Note 5)	**109,091**	14,243	4,620	214
Interest income	**(286)**	(895)	(389)	(81)
Loss before working capital changes	**(2,892,425)**	(4,500,457)	(689,229)	(807,858)
Increase in other current assets	**(113,711)**	(15,243)	(24,371)	(214)
Increase (decrease) in accounts payable and accrued expenses	**(4,796)**	526,520	(19,525)	41,089
Cash used in operations	**(3,010,932)**	(3,989,180)	(733,125)	(766,983)
Interest received	**286**	895	389	81
Net cash flows used in operating activities	**(3,010,646)**	(3,988,285)	(732,736)	(766,902)
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposit for land acquisition	**–**	–	(2,000,000)	(32,926,712)
Payment for advance rentals (Note 6)	**–**	–	(4,311,742)	–
Payment for cash bond deposit (Note 6)	**–**	(11,265)	–	–
Cash flows used in investing activities	**–**	(11,265)	(6,311,742)	(32,926,712)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common stock (Note 9)	**22,000,000**	–	–	–
Collection of subscription receivable (Note 9)	**187,500**	–	–	–
Increase in due to related parties (Note 8)	**6,719,300**	1,565,010	10,068,030	33,755,845
Payment of lease liabilities (Note 11)	**(4,311,742)**	–	–	–
Net cash flows from financing activities	**24,595,058**	1,565,010	10,068,030	33,755,845
NET INCREASE (DECREASE) IN CASH	**21,584,412**	(2,434,540)	3,023,552	62,231
CASH AT BEGINNING OF YEAR	**713,743**	3,148,283	124,731	62,500
CASH AT END OF YEAR (Notes 4 and 14)	**₱22,298,155**	₱713,743	₱3,148,283	₱124,731

See accompanying Notes to Financial Statements.

1. Corporate Information

(a) Organization

Solar Philippines Nueva Ecija Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy. As of December 31, 2020, the Company has not yet started commercial operations.

The Company is a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc. (SPPPHI or Parent Company), a corporation organized in the Republic of the Philippines.

(b) The Project

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded Solar Energy Service Contract (SESC) No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to the Company (see Note 15). On February 23, 2018, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of the Company which recognizes the Company as a Renewable Energy (RE) developer.

The Project is a 500 megawatt peak (MWp) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWp solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 51 MWp to 84 MWp and Phase 1B at 141 MWp to 174 MWp. The Company targets that Phase 1A shall be commissioned in the first half of 2022 while Phase 1B is planned to be commissioned in the second half of 2022. Moving forward, the Company plans to construct an additional 275 MWp (Phase 2) after it has commissioned Phase 1.

On August 20, 2019, the Company has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality ("COCOC") on the Project. As of July 14, 2021, the Company is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

(c) Principal Office and Business Office Address

The registered business address of the Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

(d) Change in Fiscal Year

On March 29, 2021, the Board of Directors (BODs) approved the change in the Company's fiscal year from January 1 to December 31 each year to July 1 to June 30 each year. On April 6, 2021, the Company filed its application for the change in fiscal year with the SEC and was approved on April 14, 2021.

Moreover, the Company opted to adopt the new fiscal year for tax purposes, subject to the approval of the Bureau of Internal Revenue (BIR). The complete requirements for the change in accounting period for tax purposes were submitted to the BIR on May 20, 2021.

(e) Authorization for the Issuance of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BODs) on July 14, 2021.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

The accompanying financial statements as of and for the years ended December 31, 2020, 2019, 2018 and 2017 have been prepared for inclusion in the Prospectus in relation to the planned initial public offering (IPO) of the Company.

Statement of Compliance

The financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Under the criteria set out by the Philippine SEC, the Company meets the definition of a small entity. However, the Company prepares its financial statements in accordance with PFRSs since the Company is a wholly owned subsidiary of SPPPHI, which prepares the financial statements in accordance with PFRSs and management has assessed that such basis is acceptable in the light of the Company's nature and the objective of preparing its financial statements.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have any impact on the financial statements of the Company.

- 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.

  These amendments may impact future periods should the Company enter into any business combinations.

- 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 Philippine Accounting Standard (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, *Leases, 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. These amendments have no impact on leases in 2020 since there are no lease modifications occurred.

Summary of Significant Accounting

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

Cash
Cash in the statement of financial position comprise cash on hand and with banks.

Financial Instruments
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.

Prior to January 1, 2018, the Company classifies its financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement,* in the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVTPL or loans and borrowings.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPTL. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date. As of December 31, 2017, the Company has loans and receivables for its financial assets, and loans and borrowing for its financial liabilities.

The Company has the following financial assets and liabilities:

Financial assets
Initial recognition and measurement
Beginning January 1, 2018, upon adoption of PFRS 9, financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income (FVOCI) or FVTPL.

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. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

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



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; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost includes cash in banks. The Company has no financial assets at FVOCI and FVTPL.

Loans and receivables (Policy applicable prior to adoption of PFRS 9)
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

Financial liabilities
Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Company's loans and borrowings include "Accounts payable and accrued expenses", "Due to related parties" and "Lease liabilities".

The Company has no financial liabilities at FVTPL.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

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

Impairment of Financial Assets

Beginning January 1, 2018 upon adoption of PFRS 9, the Company recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

Prior to adoption of PFRS 9, the Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments,

the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement

Fair value is the estimated 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 participant's act in their economic best interest.



A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 Company's 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; and
- 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 the end of each reporting period.

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.

Input Value-Added Tax (VAT)
Input VAT represents the VAT due or paid on purchases of goods and services that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services. Input VAT is stated at cost, less accumulated impairment losses, if any.

Right-of-use (ROU) Assets
It is the Company's policy to classify ROU assets as part of property, plant and equipment. Prior to January 1, 2019, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment (refer to Impairment of Nonfinancial Assets policy).



Deposit for Land Acquisition
Deposit for land acquisition pertain to non-refundable payments made in relation to the acquisition of parcels of land and are stated at the amount paid less any impairment in value.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises. In the case of input VAT, an allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Capital Stock
Capital stock, which represents common shares, is measured at par value and is classified as equity for all stocks issued.

Additional paid-in capital (APIC)
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the APIC account.

Subscription Receivable
Subscription receivable represents common stock subscribed and issued by the Company but payment from the shareholders has not yet been received. Subscription receivable is presented as current assets when it is expected to be collected within twelve months after the balance sheet date. Otherwise, this is presented as reduction from equity.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.



Leases *(Effective January 1, 2019)*
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) ROU Assets
Refer to ROU Assets policy.

ii) Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

Leases *(Prior to January 1, 2019)*
Lease payments under operating lease, in which substantially all the risks and rewards of ownership of the leased asset remain with the lessor, are charged to expense when incurred on a straight-line basis over the term of the lease.

Interest Income
Revenue is recognized as interest accrues, using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.



Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Expenses are generally recognized when the services are used, or the expenses arise.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized,

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

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



Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

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

Earnings (Loss) Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

As of December 31, 2020, 2019, 2018 and 2017, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments
The Company's operating businesses are organized and managed separately according to the business units. The Company has no operating segments yet as it has not yet commenced its commercial operations as of December 31, 2020, 2019, 2018 and 2017.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

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

Future Changes in Accounting Policies
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 to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4, *Insurance Contracts* 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 Company shall also disclose information 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 January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Fees in the '10 percent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - what is meant by a right to defer settlement;
  - that a right to defer must exist at the end of the reporting period;
  - that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

  The Company is currently assessing the impact the amendments will have on current practice.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - a specific adaptation for contracts with direct participation features (the variable fee approach)
  - a simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, 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.

3. Significant Accounting Estimate and Assumption

The Company's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items are those matters which the Company assess to have significant risks arising from estimation uncertainties:

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Estimates

Estimating Useful Life of ROU Assets

The Company estimates the useful lives of ROU assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

The carrying amount of ROU assets amounted to ₱44.1 million and ₱46.0 million as of December 31, 2020 and 2019, respectively (see Note 11).

Estimating the incremental borrowing rate (IBR)

The Company uses its IBR to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The carrying amount of lease liabilities amounted to ₱47.3 million and ₱47.6 million as of December 31, 2020 and December 31, 2019, respectively (see Note 11).



Estimating Impairment of Nonfinancial Assets
The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends including impact of COVID-19.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying value of other noncurrent assets amounted to ₱11,265 in December 31, 2020 and 2019; ₱4.3 million and nil in December 31, 2018 and 2017, respectively (see Note 6).

Estimating the Realizability of Deferred Income Tax Assets
Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (NOLCO) and temporary differences on ROU assets and lease liabilities amounting to ₱13.3 million, ₱7.7 million, ₱1.7 million and ₱1.0 million as of December 31, 2020, 2019, 2018 and 2017 respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized (see Note 10).

4. Cash

	2020	2019	2018	2017
Cash in banks	**₱22,248,155**	₱663,743	₱3,148,283	₱124,731
Cash on hand	**50,000**	50,000	–	–
	₱22,298,155	₱713,743	₱3,148,283	₱124,731

Cash in banks earns interest at the respective bank deposit rates. Total interest earned on cash in bank, net of final tax, amounted to ₱286, ₱895, ₱389 and ₱81 in 2020, 2019, 2018 and 2017, respectively.

5. Other Current Assets

	2020	2019	2018	2017
Input VAT	**₱128,168**	₱19,077	₱4,834	₱214
Deferred input VAT	**4,620**	–	–	–
Cash bond deposit	–	–	11,263	–
Others	**20,750**	20,750	8,488	–
	153,538	39,827	24,585	214
Less allowance for impairment loss on input VAT	**(128,168)**	(19,077)	(4,834)	(214)
	₱25,370	₱20,750	₱19,751	₱–

Cash bond deposit pertains to the payment made to Department of Agrarian Reform (DAR). Others include advances to employees of the Parent Company.

Movements in allowance for impairment loss on input VAT are as follows:

	2020	2019	2018	2017
Balances at beginning of year	**₱19,077**	₱4,834	₱214	₱–
Provision during the year	**109,091**	14,243	4,620	214
Balances at end of year	**₱128,168**	₱19,077	₱4,834	₱214

In 2020, 2019, 2018 and 2017, the Company recognized provisions for impairment loss on input VAT amounting to ₱109,091, ₱14,243, ₱4,620 and ₱214, respectively, which are presented as "Provision for impairment loss" under "Expenses" in the statements of comprehensive income.

6. Other Noncurrent Assets

	2020	2019	2018	2017
Cash bond deposit	**₱11,265**	₱11,265	₱–	₱–
Prepaid rent	**–**	–	4,311,742	–
	₱11,265	₱11,265	₱4,311,742	₱–

Cash bond deposit pertains to the payment made to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land.

In 2018, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares (see Note 11). Total advance rentals paid to the lessors amounted to ₱4.3 million. Prepayments were recognized as part of ROU asset upon adoption of PFRS 16 by the Company in 2019 (see Note 11).

7. Accounts Payable and Accrued Expenses

	2020	2019	2018	2017
Withholding tax payable	**₱345,674**	₱381,699	~~₱–~~	~~₱–~~
Accounts payable	**144,120**	141,000	–	–
Accrued expenses	**86,074**	58,516	56,564	76,089
Others	**2,420**	1,869	–	–
	₱578,288	₱583,084	₱56,564	₱76,089

Withholding tax payable pertains to the expanded withholding taxes for the professional fees.

Accounts payable are non-interest bearing and are normally settled within one year. Accrued expenses consist of accrual for professional fees and rent expenses, payable within one year. Others include taxes payable to government that are normally settled within 30 days.

8. Related Party Transactions

Parties are considered to be related if, among others, 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, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as indicated, otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

a. The Company, in the normal course of business, has cash advances transactions with its Parent Company, SPPPHI. The outstanding amount due to an affiliate represents cash advances for administrative requirements.

	Transactions during the years ended		Outstanding balance as of December 31			
	2020	2019	**2020**	2019	Terms	Conditions
Due to related parties:						
Parent:						
SPPPHI						
Cash advances	**₱6,719,300**	~~₱–~~	**₱17,386,912**	₱10,667,612	Due and demandable; non-interest bearing	Unsecured
Affiliate						
Cash advances	–	–	**1,011**	1,011	Due and demandable; non-interest bearing	Unsecured
	₱6,719,300	~~₱–~~	**₱17,387,923**	₱10,668,623		

	Transactions during the years ended		Outstanding balance as of December 31			
	2018	2017	2018	2017	Terms	Conditions
Due to related parties:						
Parent:						
SPPPHI						
Cash advances	₱10,067,019	₱33,755,845	₱44,029,314	₱33,962,295	Due and demandable; non-interest bearing	Unsecured
Affiliate						
Cash advances	1,011	–	1,011	–	Due and demandable; non-interest bearing	Unsecured
	₱10,068,030	₱33,755,845	₱44,030,325	₱33,962,295		

As of December 31, 2018 and 2017, the Company has deposits for land acquisition amounting to ₱34.9 million and ₱32.9 million, respectively, which will be used for the acquisition of the parcel of land located in Sta. Rosa, Peñaranda and San Leonardo, Nueva Ecija.

In 2019, the Company rescinded, through various mutual rescissions, the original Contract to Sell between the Company and landowners amounting to ₱34.9 million, since the management assessed that the said parcels of land are to be subsequently acquired by the Parent Company. These were subsequently re-executed with new contracts to sell between the Parent Company and the same landowners. The deposits paid to the landowners amounting to ₱34.9 million were offset against the due to Parent Company as reimbursements for the rescinded contracts.

Other advances from SPPPHI were used for working capital and administrative requirements.

b. The Company did not employ any personnel as of December 31, 2020, 2019, 2018 and 2017. The administrative and finance functions of the Company are being handled by the SPPPHI. No compensation for key management personnel was charged in 2020, 2019, 2018 and 2017. The compensation of key management personnel is handled by the Parent Company.

9. Equity

The details of the Company's common stock as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Common stock - ₱1				
Authorized:				
Balances at beginning and end of year	**1,000,000**	**₱1,000,000**	250,000	₱250,000
Issued and outstanding:				
Balances at beginning of year	**250,000**	**₱250,000**	250,000	₱250,000
Issuance of common stocks	**750,000**	**750,000**	–	–
Balances at end of year	**1,000,000**	**₱1,000,000**	250,000	₱250,000

	2018		2017	
	Shares	Amount	Shares	Amount
Common stock - ₱1				
Authorized:				
Balances at beginning and end of year	250,000	₱250,000	250,000	₱250,000
Issued and outstanding:				
Balances at beginning and end of year	250,000	₱250,000	250,000	₱250,000

In December 2020, the Company collected the outstanding subscription receivable amounting to ₱0.2 million from the Parent Company.

On December 14, 2020, the BOD approved the issuance of 750,000 shares for a total amount of ₱22.0 million for an issue price of ₱29.3 per share to the Parent Company. The amount in excess of the par value totaling to ₱21.3 million is presented as "Additional paid-in capital" in the statement of financial position as of December 31, 2020.

Further, on the same day, the BOD approved the following:

- Decrease of par value of common stock from ₱1.0 per share to ₱0.10 per share without decrease in authorized common stock and without returning any portion of subscribed capital to the Company's stockholders, thereby making the authorized common stock to ₱1.0 million divided into 10.0 million shares with par value of ₱0.10 per share from ₱1.0 million divided into 1.0 million shares with par value of ₱1.0 per share.
- Increased authorized common stock from ₱1.0 million divided into 10.0 million common shares with par value of ₱0.10 per share to ₱1,000 million divided into 10,000 million shares with par value of ₱0.10 per share.

In February and March 2021, the Company received from its Parent Company a total subscription of ₱268.4 million or 2,684.4 million shares with ₱0.1 par value.

On March 3, 2021, the BOD approved to apply the APIC of ₱21.3 million to deficit as of December 31, 2020 amounting to ₱21.0 million.

On March 18, 2021, the Company has filed with SEC the following:

- Decrease of par value of common stock from ₱1.0 per share to ₱0.10 per share;
- Increase in authorized common stock from ₱1.0 million to ₱1,000.0 million; and
- Application of APIC to deficit amounting to ₱21.0 million.

In May 2021, the Company received the approval from SEC for the above applications.

In April and May 2021, the Company received additional subscription from its Parent Company totaling to ₱273.0 million for 2,730.0 million shares at par value of ₱0.10 per share.

10. **Income Tax**

The Company has no provision for income tax recognized in 2020, 2019, 2018 and 2017 since it is in net tax loss position.

The Company is not yet subject to minimum corporate income tax until the taxable year 2021, which is the fourth taxable year immediately following the year of the Company's registration with the BIR as provided under the law. The Company was registered with the BIR on April 6, 2017.

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

	2020	2019	2018	2017
Income tax benefit at statutory income tax rates	**(₱2,666,468)**	(₱3,120,919)	(₱208,038)	(₱242,397)
Adjustments for:				
Movement in unrecognized deferred income tax assets	**2,621,142**	3,105,998	206,652	230,361
Nondeductible expenses	**45,326**	14,921	1,386	12,036
Provision for income tax	**₱–**	₱–	₱–	₱–

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Company has carryover NOLCO for which no deferred income tax assets have been recognized as follows:

Year Incurred	Year of Expiration	Amount
2020	2025	₱7,162,169
2019	2022	4,464,964
2018	2021	689,230
		₱12,316,363

The movements in NOLCO are as follows:

	2020	2019	2018	2017
Balances at beginning of year	**₱5,922,061**	₱1,691,038	₱1,001,808	₱233,941
Additions	**7,162,169**	4,464,964	689,230	767,867
Expirations	**(767,867)**	(233,941)	–	–
Balances at end of year	**₱12,316,363**	₱5,922,061	₱1,691,038	₱1,001,808

No deferred tax asset was recognized on the carryforward benefits of NOLCO and the deductible temporary difference in ROU assets and lease liabilities as of December 31, 2020 and 2019 totaling to ₱13.3 million and ₱7.7 million, respectively, and the carryforward benefits of NOLCO as of December 31, 2018 and 2017 amounting to ₱1.7 million and ₱1.0 million, respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized.

11. Leases

In 2018, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one-year rent-free period plus 25-year term. Further, the lease is subject for renewal of five (5) years upon mutual agreement by the parties. The land lease agreement has an annual rent of ₱4.3 million and is subject to an increase of 5% in rental payments after every five (5) years.

The Company also has rentals of vehicles with lease term of less than 12 months. The Company applies the 'short-term lease' recognition exemptions for these rentals.

ROU assets as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	**₱45,986,437**	₱47,825,894
Amortization	**(1,839,457)**	(1,839,457)
Balances at end of year	**₱44,146,980**	₱45,986,437

In 2019, advance rentals were derecognized and was included in the beginning balance of ROU asset.

Lease liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	**₱47,563,954**	₱43,514,151
Interest expense	**4,047,540**	4,049,803
Payments	**(4,311,742)**	–
Total lease liabilities	**47,299,752**	47,563,954
Current portion of lease liabilities	**(4,311,742)**	(4,311,742)
Noncurrent portion of lease liabilities	**₱42,988,010**	₱43,252,212

The following are the amounts recognized in 2020 and 2019 in the statements of comprehensive income:

	2020	2019
Interest expense	**₱4,047,540**	₱4,049,803
Amortization of ROU assets	**1,839,457**	1,839,457
Expenses relating to short-term leases	**–**	628,628
	₱5,886,997	₱6,517,888

12. Notes to Statements of Cash Flows

2020

	December 31,2019	**Cash flows**	**Others**	**December 31,2020**
Due to related parties	**₱10,668,623**	**₱6,719,300**	**₱–**	**₱17,387,923**
Lease liabilities	**47,563,954**	**(4,311,742)**	**4,047,540**	**47,299,752**
Total liabilities from financing activities	**₱58,232,577**	**₱2,407,558**	**₱4,047,540**	**₱64,687,675**

2019

	December 31,2018	Cash flows	Others	December 31,2019
Due to related parties	₱44,030,325	₱1,565,010	(₱34,926,712)	₱10,668,623
Lease liabilities	–	–	47,563,954	47,563,954
Total liabilities from financing activities	₱44,030,325	₱1,565,010	₱12,637,242	₱58,232,577

In 2020, the "Others" pertain to the accretion of interest expense related to the lease liabilities. In 2019, "Others" pertain to the Parent Company's reimbursement for the rescinded contracts and the impact of PFRS 16 (see Notes 8 and 11). In 2018 and 2017, cash flow movements in due to related parties amounted to ₱10.1 million and ₱33.8 million, respectively.

There are no noncash transactions for due to related parties in 2018 and 2017.

13. Basic/Diluted Loss Per Share

The basic/diluted loss per share amounts were computed as follows:

	2020	2019	2018	2017
(a) Net loss attributable to equity holders of the Company	**₱8,888,227**	₱10,403,065	₱693,460	₱807,991
(b) Weighted average number of common shares outstanding	**2,812,500**	2,500,000	2,500,000	2,500,000
Basic/diluted loss per share (a/b)	**₱3.160**	₱4.161	₱0.277	₱0.323

The Company does not have any dilutive potential common shares as at December 31, 2020, 2019, 2018 and 2017.

The weighted average number of common shares outstanding consider the effect of the decrease in par value approved by the SEC in May 2021 (see Note 9).

14. Financial Instruments and Financial Risk Management

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in bank, accounts payable and accrued expenses and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Company, which comprise of cash (excluding cash on hand), the Company exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company's cash in banks amounted to ₱22.2 million, ₱0.7 million, ₱3.1 million and ₱0.1 million as of December 31, 2020, 2019, 2018 and 2017, respectively.

Credit Quality of Financial Assets
Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before the due date. The Company considers cash in banks as high grade.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The tables below show the maturity profile as of December 31, 2020, 2019, 2018 and 2017 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	2020				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	**₱22,248**	**₱–**	**₱–**	**₱–**	**₱22,248**
Liabilities at amortized cost:					
Accounts payable*	**₱144**	**₱–**	**₱–**	**₱–**	**₱144**
Accrued expenses	**86**	**–**	**–**	**–**	**86**
Due to related parties	**17,388**	**–**	**–**	**–**	**17,388**
Lease liabilities	**4,311**	**–**	**26,733**	**79,457**	**110,501**
	₱21,929	**₱–**	**₱26,733**	**₱79,457**	**₱128,119**

**excluding withholding taxes payable*

	2019				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	₱664	₱–	₱–	₱–	₱664
Liabilities at amortized cost:					
Accounts payable*	₱141	₱–	₱–	₱–	₱141
Accrued expenses	59	–	–	–	59
Due to related parties	10,669	–	–	–	10,669
Lease liabilities	4,311		21,990	88,512	114,813
	₱15,180	₱–	₱21,990	₱88,512	₱125,682

**excluding withholding taxes payable*

	2018				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	₱3,148	₱–	₱–	₱–	₱3,148
Liabilities at amortized cost:					
Accrued expenses	₱57	₱–	₱–	₱–	₱57
Due to related parties	44,030	–	–	–	44,030
	₱44,087	₱–	₱–	₱–	₱44,087

	2017				
	On Demand	< 1 Year	> 1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	₱125	₱–	₱–	₱–	₱125
Liabilities at amortized cost:					
Accrued expenses	₱76	₱–	₱–	₱–	₱76
Due to related parties	33,962	–	–	–	33,962
	₱34,038	₱–	₱–	₱–	₱34,038

Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash in banks, Accounts payable and accrued expenses and Due to related parties

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Lease liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used is 5.37% and 6.76% in 2020 and 2019, respectively. The fair value of the lease liabilities amounted to ₱64.5 million and ₱58.1 million as of December 31, 2020 and 2019, respectively, while the carrying value of the lease liabilities amounted to ₱47.3 million and ₱47.6 million as of December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Capital Management

As the Company has not started commercial operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

The Company considers the following as its core capital:

	2020	2019	2018	2017
Due to related parties	**₱17,387,923**	₱10,668,623	44,030,325	33,962,295
Capital stock (net of subscription receivable)	**1,000,000**	62,500	62,500	62,500
Additional paid-in capital	**21,250,000**	–	–	–
Deficit	**(21,034,193)**	(12,145,966)	(1,742,901)	(1,049,441)
	₱18,603,730	(₱1,414,843)	₱42,349,924	₱32,975,354

15. Solar Energy Service Contract (SESC)

On August 22, 2017, SPCRPI, an affiliate of the Company, entered into a Solar Energy Service Contract (SESC) with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 648 hectares. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality. A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of 25 years from the effective date. One year before the expiration of the initial 25 years period, SPCRPI may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as SPCRPI is not in default of any material obligations under the SESC.

On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2017-06-404, including all of its annexes to the Company which has been approved. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and the Company. On that same day, the DOE issued a Certificate of Registration (COR) in favor of the Company as a Renewable Energy (RE) Developer of Solar Energy Resources in Sta. Rosa, Peñaranda and San Leonardo, Nueva Ecija which covers SESC No. 2017-06-404.

On August 20, 2019, the Company has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality ("COCOC") on the Project. As of July 14, 2021, the Company is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

16. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective.

The Act aims to:

a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments (BOI), shall be entitled to the following incentives, among others:

i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and

x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

17. **COVID-19**

In a move to contain the COVID-19 outbreak, 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 (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. This community quarantine has been extended on a more relaxed form after the May 15, 2020 extension. The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension until March 28, 2021. On March 29, 2021, the government reinstated the ECQ until April 11, 2021 in selected areas including the NCR. Starting April 12, 2021, NCR was placed under the modified ECQ until May 15, 2021, and was subsequently shifted to general community quarantine with some restrictions until July 15, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The Company was not materially affected by the COVID-19 outbreak as the Company has not yet started to commence its operations.

Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

18. **Subsequent Events**

Memorandum of Agreement with Provincia Investments Corporation (PIC)
On February 20, 2021, the Company entered into a Memorandum of Agreement (MOA) with an affiliate, Provincia Investments Corporation (PIC), which MOA was later amended on March 3, 2021 to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by the PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., deeds of absolute sale to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the deeds of absolute sale (DOAs), the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267.0 million, which represents the full payment.

MOA with Lupang Hinirang Holdings Corporation (LHHC)
On April 19, 2021, the Company entered into a Memorandum of Agreement (MOA) with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by the LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g. deeds of absolute sale to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. The consideration for the sale and transfer of rights over the parcels of land will be further agreed upon by the parties upon execution of the DOAs. Upon execution of the DOAs, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270.0 million, which represents the full payment.

Management Service Agreement with Parent Company
On April 30, 2021 the Company entered into a Management Service Agreement with the Parent Company to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million.

The Management Service Agreement covers all necessary administrative and advisory services on management, investment and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology.

Land Lease Agreements
a. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area 179.6 hectares in Peñaranda, Nueva Ecija. The Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. The annual rental increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five (5) years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.

b. In May 2021, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three (3) years.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill
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. The CREATE Law took effect on April 11, 2021 which is 15 days after its complete publication in a newspaper of general circulation on March 27, 2011.

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 corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The CREATE Act is not expected to have an impact on the Company's current income taxes for the year ended December 31, 2020.

Pledge Agreement of the Parent Company and AC Energy Corporation (ACEN) for SPNEC shares
On June 25, 2021, the Parent Company executed a pledge over all the Company's shares it holds to secure a loan by its affiliate, PIC from AC Energy Corporation (the lender). The stock certificates of the Company's shares pledged were delivered to and is in the custody of the lender. The lender agreed to return the stock certificates to the Parent Company to enable to the Parent Company and Company to comply with the lock up rules of the Philippine Stock Exchange.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Nueva Ecija Corporation (the Company; a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.) as at December 31, 2020, 2019, 2018 and 2017, and for each of the four years in the period ended December 31, 2020, and have issued our report thereon dated July 14, 2021. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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July 14, 2021

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Solar Philippines Nueva Ecija Corporation (the Company; a wholly owned subsidiary of Solar Philippines Power Project Holdings Inc.) as at December 31, 2020, 2019, 2018 and 2017, and have issued our report thereon dated July 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code ("SRC") Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Nueva Ecija Corporation (the Company; a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.) as at December 31, 2020, 2019, 2018 and 2017, and for each of the four years in the period ended December 31, 2020, and have issued our report thereon dated July 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020, 2019, 2018 and 2017, and for each of the four years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



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November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021



SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

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DECEMBER 31, 2020

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II	Reconciliation of Retained Earnings Available for Dividend Declaration
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt *(not applicable)*
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers *(not applicable)*
G	Capital Stock

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020, 2019, 2018 AND 2017

	2020	2019	2018	2017
Unappropriated retained earnings, as adjusted to available for dividend declaration, January 1	(₱12,145,966)	(₱1,742,901)	(₱1,049,441)	(₱241,450)
Net loss in 2021 closed to Retained Earnings	(8,888,227)	(10,403,065)	(693,460)	(807,991)
Add: Non-actual/unrealized income (net of tax)				
Unrealized foreign exchange gain	–	–	–	–
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31	(₱21,034,193)	(₱12,145,966)	(₱1,742,901)	(₱1,049,441)

Solar Philippines Nueva Ecija Corporation
Corporate structure



ANNEX IV:

STA. ROSA NUEVA ECIJA 2 SOLAR POWER PROJECT FEASIBILITY STUDY



STA. ROSA NUEVA ECIJA 2 SOLAR POWER PROJECT
FEASIBILITY STUDY

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
www.solarphilippines.ph

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2 EXECUTIVE SUMMARY

This feasibility study deals with the development, design, construction, and roll-out of the Nueva Ecija Solar Power Plant project with total capacity of 450 MWp. The full phase will be the development of 450 MWp for commissioning on 2023 and available for possible off take to WESM, Distribution Utilities, contestable customers, and Electric Cooperatives 450 MWp.

The proposed solar power project is in Brgy. Las Piñas, Municipality of Peñaranda, Province of Nueva Ecija, approximately 100km northeast of Manila, Philippines. The municipality, which has a land size of 95.00 square kilometers, belongs to the Region 3. The area was originally called Mapisong, and it was a part of the municipality of Gapan. The area was organized into a municipality by José Maria Peñaranda, a Spanish engineer, and subsequently named after him. Peñaranda was once known for its high-quality crop called *ikmo*, a plant used by older Filipinos as a chewing substance. Recently however, the crop is on the brink of extinction. Rice remains a flourishing farm produce.

The plant's operation is basically conversion of solar energy into electricity. The process starts on the ground mounted photovoltaic systems that capture energy from the sun. This comprises a multitude of solar panel modules, mounted on support structures and interconnected to deliver a power output.

The project commenced through the incorporation of Solar Philippines Nueva Ecija Corporation last November 2016 as a duly registered company under the Securities and Exchange Commission (SEC). The project is estimated to be completed within in a 12-month time frame from the start of project kick-off. It is foreseen that the plant will be rolled-out by 2019.

3 INTRODUCTION

Company Profile

Solar Philippines is known for developing prime utility-scale solar farms, and for completing the largest rooftop projects in all South-East Asia. Founded in 2013 by Leandro Leviste, one of Forbes Asia's 30 Under 30 Young Entrepreneurs, the company is growing quickly to meet the local market's rapidly increasing power demand whilst providing improvements in solar technology and design. By harnessing the sun's power to meet the need for clean, affordable, and distributed generation, Solar Philippines is committed to help pave the way for renewable energy adoption in the Philippines.

The company strives to make solar cheaper than coal, and affordable for every home and business in the country. We custom design and strategically implement each solar project to maximize energy development for every client and community.

It has a team of more than 300 personnel with over 1,000 years of combined experience in the solar energy, construction, and power industries. It is the country's first and only all-in-one solar energy company providing design, financing, construction, and ongoing technical support with the ability to supply energy at zero upfront cost and below utility rates.

SP financed and constructed the 2.7 MW SM Mall of Asia (MOA) Solar Carpark which is expected to offset over 80,000 tons of carbon dioxide, equivalent to planting over 400,000 trees, in more than 30 years.

SP and SM Prime Holdings Inc. entered into a Lease Agreement on June 2014 to lease the deck level of the SM North EDSA parking building for a 1.5MW solar plant. Under the Feed-in-Tariff-Lease (FIT-Lease) model, energy is fed to the grid at the rate of ₱9.68 per kWh.

After pioneering the nation's first large-scale solar rooftop projects, Solar Philippines claims a new frontier with the launch of the largest solar farm in Luzon. The solar plant comprises over 200,000 panels on a 160-hectare property. It is now supplying enough to power the entire Western Batangas. Over three decades of operation, it is expected to offset over 1 million tons of CO2, equivalent to planting over 5 million trees. Solar Philippines developed, financed, and constructed the project. This marks the first time a local company has built a solar farm from end-to-end, owing to the experienced team of Solar Philippines. This is also the only solar farm developed, financed, and constructed exclusively by a Philippine company. The 63.3 MW Calatagan Solar Farm is the largest solar project completed in the Philippines to date and has started generating power weeks before the Department of Energy's deadline of March 15, 2016, ahead of other projects backed by conglomerates and foreign investors racing to secure the Feed-in-Tariff.

Solar Philippines will soon begin construction on its next projects in Mindanao and Luzon, and aims to complete 500 MW within the next few years.

4 PROJECT DESCRIPTION

Project Rationale

The proposed project aims to develop a 450MWp to supply clean and renewable power. The project is expected to generate local employment during the construction and operations phase of the plant and aims to contribute to the stability of the country's energy supply, reduce dependence on imported fossil fuels, and mitigate the impacts of climate change.

Project Name	**Sta. Rosa Nueva Ecija 2 Solar Power Project**
Solar Energy Service Contract	2017-06-404 August 22, 2017
Location	Brgy. Las Piñas, Peñaranda, Nueva Ecija
Development Area	Total Area – 412.97 hectares
Capacity	Total Capacity 450 MWp
Off Taker	Wholesale Electricity Spot Market (WESM)
Generation Facility Type	Ground Mounted Solar Photo Voltaic Power Plant
Interconnection Scheme	Grid Connected
Total Budgetary Cost (Php/kWh)	38,000.00

Table 1. Project Details Summary

Site Location

The plant will be located on Brgy. Las Piñas, Peñaranda, Nueva Ecija. The first phase of the project will be situated on the area shown on the figure below as bounded by the coordinates provided. The area is generally composed of rolling terrain of idle land.



Figure 2. Map of Nueva Ecija

Peñaranda is a fourth-class Municipality in Province of Nueva Ecija, Philippines. According to the census 2015, it has population of 27,410 people and with total density of 290 per square kilometer. It is boarded by municipalities of General Tinio and San Leonardo and the City of Gapan (**Figure 1**).

5 MARKET STUDY

Philippine Market for Solar PV

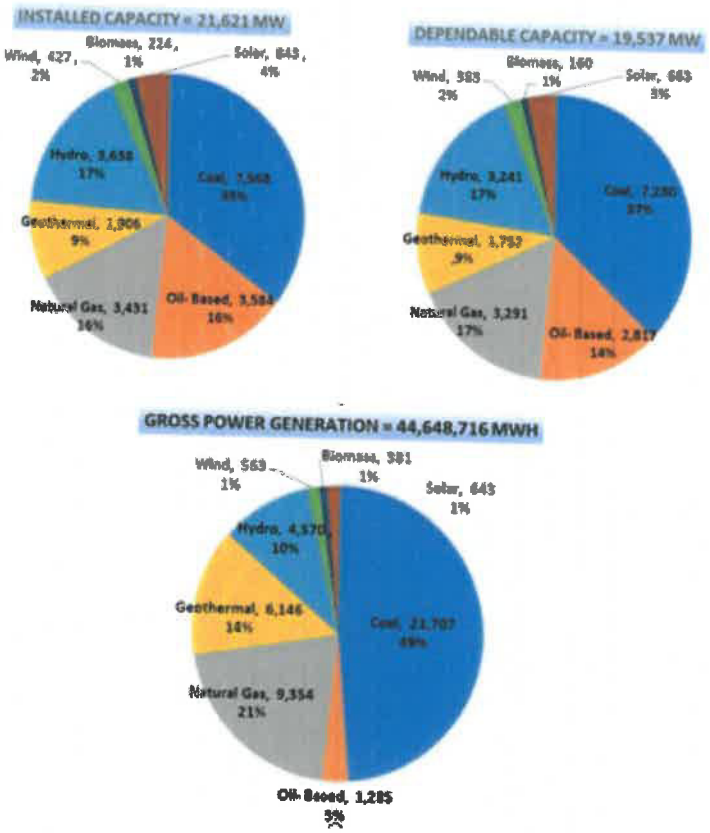


Figure 2. Philippine Energy Mix for H1-2017

The Philippines has a fast-growing demand for energy attributed to its dense population and rapid economic growth. As of the first half of the Philippine Energy Mix 2017 (**Figure 2**) coal has still the largest share in terms of installed capacity at 35% followed with renewable energy sources (geothermal, hydro, wind, biomass, and solar) at 32.55%. In terms of power generation, coal power plants remained the major sourced at 49% while renewable energy as second source of power stood only at 27%. Newly operational plants from January to June 2017 were mainly coal and solar power plants which added 150 MW and 78 MW to the total installed capacity. Additional oil-based power plants came online adding 8 MW energy supply while hydro added a capacity of 0.8 MW.

There is a promising prospect for renewable energy development in the Philippines considering its current legislative mechanisms, programs, and massive stock or renewable sources among which are solar irradiation. It is estimated that the average annual average irradiation is at 5.1 $kWh/m^2/day$[1].

[1] IRENA, The Philippines Business Case (2014) pp. 7

Luzon Power Situation Outlook

The projected rapid industrial growth for the island of Luzon (**Figure 3**) poses for a greater need

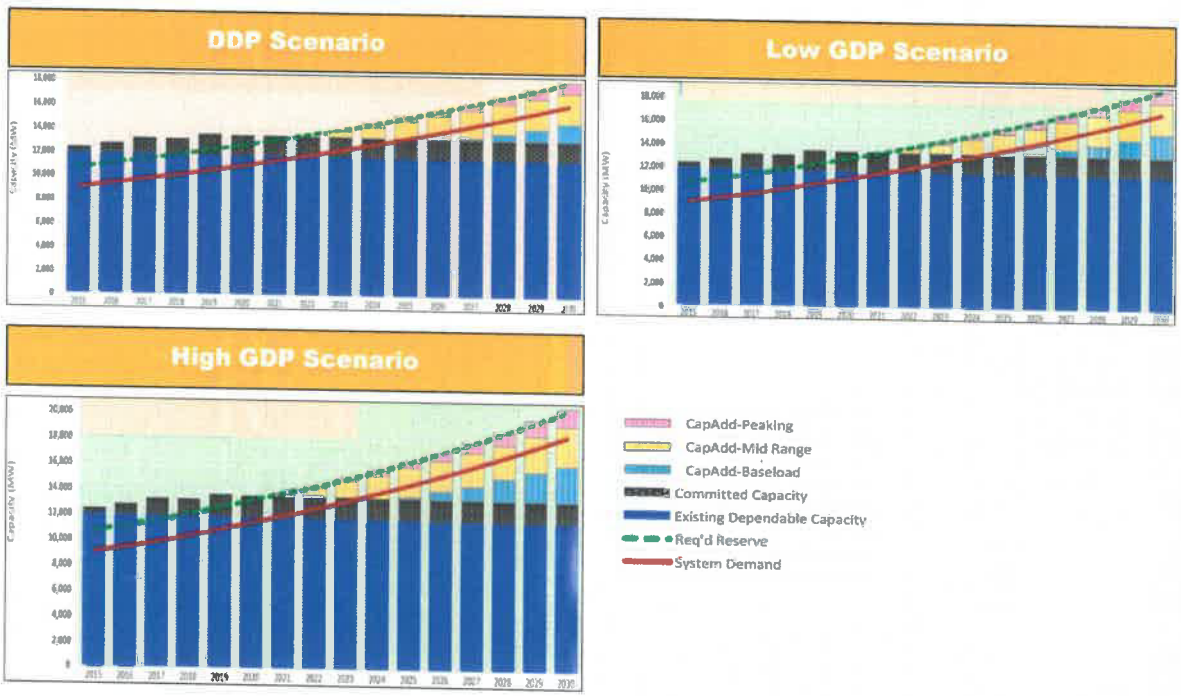
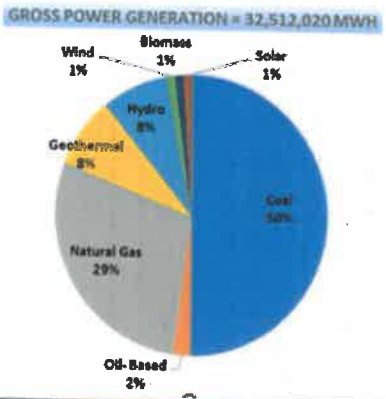


Figure 3. Luzon Grid Demand-Supply Outlook on Various Scenarios

of energy as demand grows along with the booming economy. This projected economic development integrates different power subsectors as basic components of development planning. As mandated under Section 37 of the Electric Power Industry Reform Act (EPIRA) of 2001, the Department of Energy updates an annual Power Development which is integrated into the Philippine Energy Plan. It establishes an electricity sales and demand forecast under three different scenarios such as, a.) Distribution Development Plan (DDP)-Based and economic growth-based further classified as b.) low-GDP and c.) high-GDP scenarios. DDP-based growth rates are based on aggregated electricity requirements of distribution utilities from the DDP electricity purchase forecasts. From the table above, under DDP-based assumption, an additional of 4,985 MW additional capacity is needed, 5,775 MW under low-GDP assumption and 7,335 MW additional under high economic growth.



Fuel Type	Installed		Dependable	
	MW	Percent Share (%)	MW	Percent Share (%)
Coal	5,444	35.99	5,230	37.70
Oil Based	2,133	14.10	1,655	11.93
Natural Gas	3,430	22.67	3,291	23.72
Renewable Energy	4,120	27.24	3,699	26.66
Geothermal	*833*	5.51	*782*	5.64
Hydro	*2,538*	16.78	*2,324*	16.75
Wind	*337*	2.23	*293*	2.11
Biomass	*87*	0.58	*66*	0.48
Solar	*325*	2.15	*233*	1.68
TOTAL	15,128	100.00	13,874	100.00

Figure 4. Luzon Grid Power Generation Mix (Jan.-Jun. 2017)

As of June 2017, the Luzon grid has a total dependable capacity of 13,874 MW, **Figure 4**, of which are 168.8 MW of newly operational plants while another 4,141.8 MW are undergoing commissioning and testing. This accounts for a semi-annual gross power generation of 32,512,020 MWh which comprised of 1% of power from solar energy. There is also an

additional of 4,141.8 MW committed projects and another indicative project of 16,112.7 MW as of June 30, 2017.

Significant incidents highlighted the supply and demand of power during the first half of the year as indicated in the figure below:

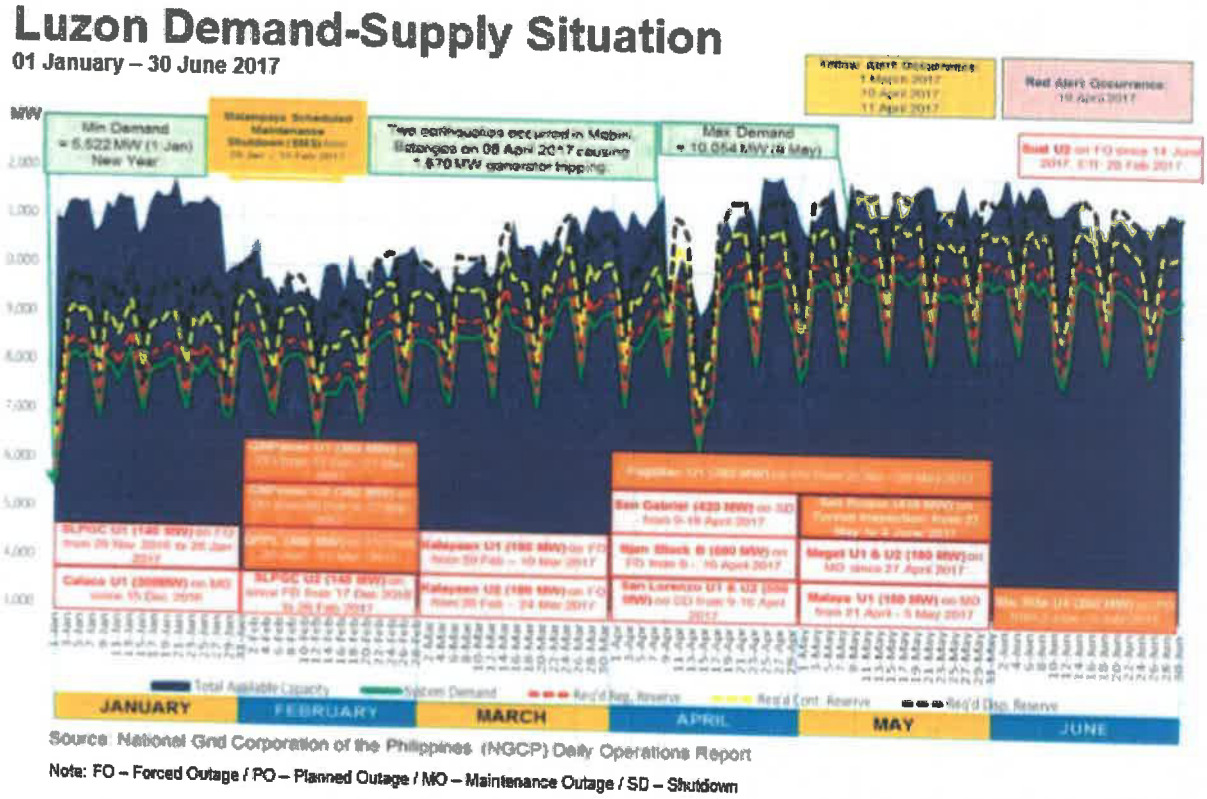


Figure 5. Luzon Demand-Supply Situation for H1-2017

Distribution Utilities

The Luzon Grid is the largest grid in the Philippines which accounts for 75% of the country's total power demand[2]. The grid covers the areas of Metro Manila, South Luzon, and North Luzon across 10 districts. The electricity distribution sector in Luzon is comprised of government-owned and private companies which has an exclusive franchise to deliver power to end-users in a certain area subject to regulation of the Energy Regulatory Commission (ERC) under the EPIRA Law (R.A. 9136).

[2] DOE, Power Supply and Demands Highlights, January - June 2017

Power Service Agreements

A power supply agreement (PSA) for on-grid areas are based on negotiations between a power generation company and a distribution utility (or a commercial bulk customer under Retail Competition and Open Access provision) to supply energy for the intended customer. This type of agreement is subject for the approval of rates by the ERC under EPIRA Law. The power purchase rate under PSAs refers to the total generation charge consisting of capital recovery fee and operation and maintenance (O&M) fee.

Regulatory Overview

Renewable Energy Law of 2008 (Republic Act No. 9513)- the law is intended to accelerate the development and commercialization of renewable energy resources in the Philippines. It intends to establish the Renewable Portfolio Standard which sets a minimum percentage of generation from renewable energy resources by power generators, distribution utilities and suppliers; the creation of a renewable energy market; and the adoption of the feed-in tariff system. RA 9513 also provides for fiscal incentives to renewable energy (RE) developers of renewable energy facilities such as hybrid systems – in proportion to and to the extent of the RE component – for both power and non-power-applications. Incentives include the following:

- Income tax holiday for seven (7) years; corporate tax rate of 10% after 7 years;
- Duty-free importation of RE equipment;
- Special realty tax rates on equipment and machinery not exceeding 1.5% of their original cost less accumulated normal depreciation or net book value;
- Net operating loss during the first 3 years of commercial operation which had not been previously deducted from gross income shall be carried over as deduction from gross income for the next 7 consecutive taxable years immediately following the year of such loss (NOLCO);
- 0% Value-Added Tax rate on the sale of fuel or power generated from RE sources. Zero-rated VAT on purchases of local supply of goods, properties and services needed by RE developers.

Electric Power Industry Reform Act of 2001 (R.A. 9136)- the law provides a framework for the restructuring of the electric power industry, including the privatization of the assets of NPC, the transition to the desired competitive structure, and the definition of the responsibilities of the various government agencies and private entities. It is designed to lower the country's electricity rates by providing consumers the option to choose their source of electricity from a specific electricity supplier and to have an open access to transmission and distribution facilities that will ultimately benefit the general public. Moreover, it provides mechanism for competition among generating companies to have a competitive and market-driven electricity rates.

Stated in **Table 2** below are the necessary permits needed to be secured by a RE developer to roll-out an energy project:

Permit/Certificate	Short Description
LGU Resolution of Support from Host Barangays	Gives the local officials authority to plan the development of its area.
LGU Resolution of Support from Host Municipality Government	
LGU Resolution for Reclassification	
HLURB Zoning Certification	Provides guidelines on the appropriate zoning classification for Land Use Conversion.
Department of Agriculture (DA) Certification	Evaluates eligibility of reclassification of agricultural lands to non-agricultural uses.
NIPAS Certification	Provides guidelines in evaluating whether the project area is within or outside the NIPAS.
Environmental Compliance Certificate (ECC)	Provides the policy to attain balance between socio-economic growth and environmental protection
NCIP Certificate of Non-Overlap	Provides guidelines in evaluating whether the project area is within or outside the lands of Ancestral Domains.
DAR Conversion Order	Provides policies in the conversion of agricultural lands to non-agricultural uses.

Table 2. Summary of Pertinent Permits for the Development of a RE Project

4 PROJECT SPECIFICATIONS

Operating Principle

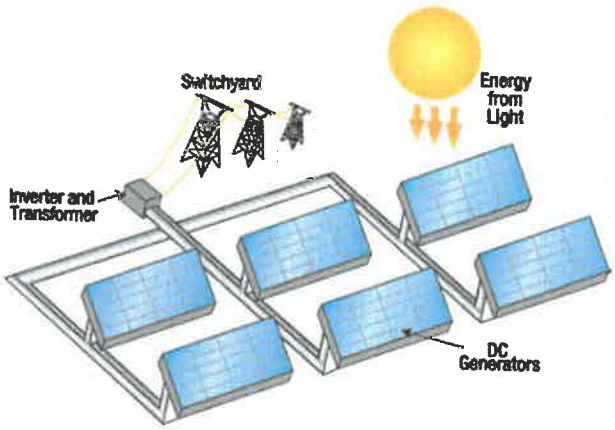


Figure 6. Diagram of a Common Solar Farm

Solar power plants operate on the principle of harnessing the irradiation form the sun and convert this energy into electricity via the photovoltaic (PV) effect, see **Figure 6**.

Solar PV cells are composed of semiconducting materials, (**Figure 7**), which are sandwiched together. It is made of silicon materials doped with impurities such as boron (n-doped) and phosphorus (p-doped) on opposing sides. The two sides of the cells are connected together by a conducting material to provide a path for the travel of electrons. The surface is covered by a non-reflecting and sturdy material such as tempered glass to protect the cell from other external factors such as weather, breakage, dirt, and other physical hazards. A series connection of several solar cells makes up a panel and the connection of several panel forms an array.

When solar radiation hits the surface of the solar panel, an electron-hole pair is disrupted by the photons from the radiation and this creates a flow of electron which generates an electrical charge. From the solar panels, an inverter is needed to convert the direct current (DC) to alternating current (AC) form of electricity. The solar plant is then connected to a high-voltage substation which transports electricity to the grid. From the grid, the local distribution utilities deliver the electricity to end-users such as residential and commercial clients.

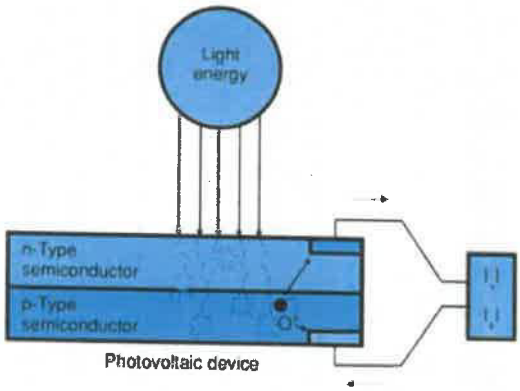


Figure 7. Typical PV device.

Typical solar cell materials include the following:

a.) Crystalline Modules- these are either monocrystalline or polycrystalline modules which are both from the same materials but differ in manufacturing process. Monocrystalline modules have uniform structure and are more efficient. Polycrystalline have many structures resulting in less efficiency.

b.) Thin-film Modules- these are second generation solar cell that is made by depositing one or more thin layers, or thin film (TF) of photovoltaic material on a substrate, such as glass, plastic or metal. Thin-film solar cells are commercially used in several technologies, including cadmium telluride (CdTe), copper indium gallium selenide (CIGS), and amorphous thin-film silicon (a-Si, TF-Si).

Power Plant Operations

The plant's operation is basically conversion of solar energy into electricity. The process starts on the ground mounted photovoltaic systems that capture energy from the sun. This comprises a multitude of solar panel modules, mounted on support structures and interconnected to deliver a power output. Particles of solar energy, known as photons, strike the surface of a photovoltaic cell between two semiconductors. These semiconductors exhibit a property known as the photoelectric effect, which causes them to absorb the photons and release electrons. The electrons are captured in the form of a DC electric current. Each solar panel modules' power output is collected into a string combiner box (SCB) to transmit the combined DC power output for conversion.

Photovoltaic solar panels will be made of tempered glass laid on steel frames with its legs securely bolted on steel screw pile foundations drilled 2 meters deep below the ground. Solar panels will be installed horizontally having a slope of 11 degrees to attain the perfect inclination to get the radiation of the sun.

Below are some of the main components of the power plant to be built:

- RMU STATIONS- Outdoor equipment yard composing of Transformers and Ring Main Units (RMU) installed in steel frames laid over a reinforced concrete foundation.

- SWITCHYARD- Transformers, switches, circuit breakers and other auxiliary equipment installed in an open yard supported by structural steel frameworks laid on reinforced concrete foundation.

- TRANSMISSION LINES- High voltage electric transmission lines mounted on transmission towers and posts made of steel supported by reinforced concrete foundations. Transmission towers and posts will be fabricated with galvanized steel members treated to produce a dulled galvanized finish. The average distance between two support points will be about 50-meter span length. Structure heights vary depending on terrain and the requirement to maintain minimum conductor clearances from ground.

- ANCILLARY STRUCTURES- Various structures of one-story high made of steel portacabins and/or reinforced concrete under steel sheet roofing. Those buildings are currently to be utilized as Control Room, Admin Office and Switchgear Room.

Irradiation Analysis

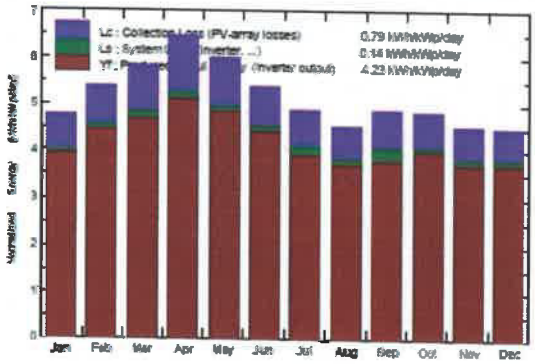
The 200MWp Nueva Ecija Solar Power Plant will be composed of around 1,200,024 solar panels connected in 42,858 strings with 28 modules each connected in series. Each panel will be rated at 375 W and the modules will cover a total area of 2,330,879 m^2 with a tilt of 10^o. The plant will utilize 94 units of inverters each with a nominal power unit rate of 3,437 kWac.

From the PV Syst simulation (**Figure 8**) for the Nueva Ecija Solar Power Plant. The systems will have an estimated produced energy of 694,460 MWh/year at 82.00% performance ratio.

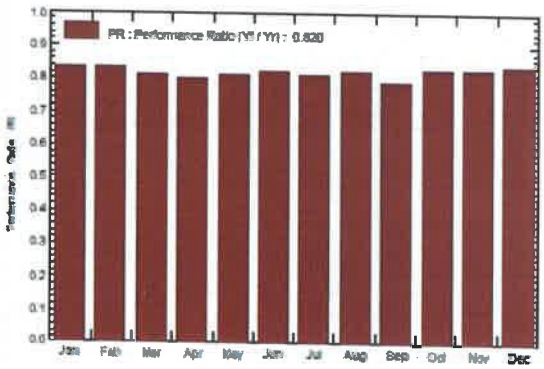
Main simulation results
System Production

Produced Energy 694460 MWh/year **Specific prod.** 1543 kWh/kWp/year
Performance Ratio PR 82.00 %

Normalized productions (per installed kWp): Nominal power 450000 kWp



Performance Ratio PR



450MWp
Balances and main results

	GlobHor kWh/m²	DiffHor kWh/m²	T_Amb °C	GlobInc kWh/m²	GlobEff kWh/m²	EArray MWh	E_Grid MWh	PR
January	133.6	69.13	25.40	147.0	139.7	56852	55372	0.837
February	139.7	59.27	24.56	150.7	144.1	58186	56648	0.835
March	174.6	73.12	27.42	180.6	173.1	67684	65902	0.811
April	193.7	71.09	28.52	193.3	186.0	71593	69687	0.801
May	191.4	69.39	29.14	185.6	178.4	69785	67894	0.813
June	169.3	74.33	28.59	161.9	155.0	61702	60040	0.824
July	156.9	78.12	27.63	151.4	144.8	58015	55134	0.809
August	142.9	71.69	26.51	141.0	134.9	53965	52476	0.827
September	143.1	75.16	27.10	145.4	139.1	55556	51643	0.789
October	141.3	70.52	26.34	149.2	142.6	57489	55937	0.833
November	124.4	58.75	26.61	136.2	129.8	52368	51009	0.832
December	125.2	62.06	25.32	139.6	132.4	54143	52720	0.839
Year	1836.0	832.61	26.94	1882.0	1799.9	717338	694460	0.820

Figure 8. PVSyst 450 MWp

7 PROJECT DEVELOPMENT PLAN

Implementation Schedule

The project commenced through the incorporation of Solar Philippines Nueva Ecija Corporation last November 23, 2016 as a duly registered company under the Securities and Exchange Commission (SEC). Permitting applications and other administrative preparations followed subsequently. Feasibility study of the proposed project started on December 2016.

The 5-year Work Plan **(Figure 9)** below shows Solar Philippines' expected timeline for the construction of the 450 MWp solar power plant. The construction phase will begin in the Q4 of 2022. The target commercial operations will be in Q2 of 2024.

	ACTIVITIES	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL COST (Years 1-5)	Financial Commitment (in Php)				
		1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q	1Q 2Q 3Q 4Q		Year 1	Year 2	Year 3	Year 4	Year 5
A.	Pre-Construction Stage											
1	Balance Land Aquistion						₱1,073,250,000.00	₱536,625,000.00				
2	Land Conversion								₱ 268,312,500.00	₱ 268,312,500.00		
3	DENR Permits (EIS, ECC, CNC, etc.)						₱750,000.00	₱ 300,000.00	₱ 262,500.00	₱ 187,500.00		
4	SIS						₱1,000,000.00	₱ 1,000,000.00				
5	Facility Study						₱500,000.00		₱ 500,000.00			
6	Interconnection Facilities, Connection Agreement, Transmission Service Agreement, Metering Service Agreement						₱100,000.00		₱ 50,000.00	₱ 50,000.00		
7	Detailed Engineering						₱500,000.00		₱ 250,000.00	₱ 250,000.00		
8	Application to WESM						₱0.00					
9	Financial Closing						₱604,634,000.00		₱ 423,243,800.00	₱ 181,390,200.00		
B.	Construction Stage											
10	Procurement of Imported Components						₱1,037,419,200.00			₱ 103,741,920.00	₱ 933,677,280.00	
11	Order and Fabrication of Local Equipment						₱864,516,000.00			₱ 86,451,600.00	₱ 778,064,400.00	
12	Mobilization on Site and Mock Installation						₱950,967,600.00			₱ 95,096,760.00	₱ 855,870,840.00	
13	Installation of Mounting Structures						₱907,741,800.00				₱ 90,774,180.00	₱ 816,967,620.00
14	Installation of Solar Modules						₱605,161,200.00				₱ 72,619,344.00	₱ 532,541,856.00
15	Installation of Inverters						₱492,774,120.00				₱ 54,205,153.20	₱ 438,568,966.80
16	Installation of Cables/Electromechanicals						₱831,096,680.00				₱ 75,731,601.60	₱ 555,365,078.40
17	Construction and Erection of Transmission Line						₱494,172,000.00				₱ 69,184,080.00	₱ 424,987,920.00
18	Set-up of Monitoring System						₱561,935,400.00				₱ 56,193,540.00	₱ 505,741,860.00
C.	Post-Construction Stage											
19	Connection, Transmission & Metering Agreements						₱1,037,419,200.00				₱ 51,870,960.00	₱ 985,548,240.00
20	Testing and Commissioning						₱1,296,774,000.00				₱ 77,806,440.00	₱ 1,218,967,560.00
21	Complete Final Inspections						₱259,354,800.00				₱ 31,122,576.00	₱ 228,232,224.00
D.	Operation & Maintenance											
22	Commercial Operations & Regular Maintenance											
							TOTAL COMMITMENT	₱ 10,820,066,000	₱537,925,000.00	₱692,618,800.00	₱735,480,480.00	₱ 8,147,120,394.80	₱5,706,921,325.20

Year 1 starts on January 2020

Figure 9. 5-year Work Plan

7 ENVIRONMENTAL/SOCIAL IMPACT ASSESSMENT

Description of the Project EIA Process

The Department of Environment and Natural Resources (DENR) generally requires all projects to secure an environmental clearance under the Environmental Impact Assessment (EIA) System. For energy projects that are over 100 MW, an Environmental Impact Study (EIS) must be conducted. Such study will assess the impact of the project on the local habitat, including its wildlife, water supply, and vegetation. The process flowchart for an EIS study is shown in Figure 10.

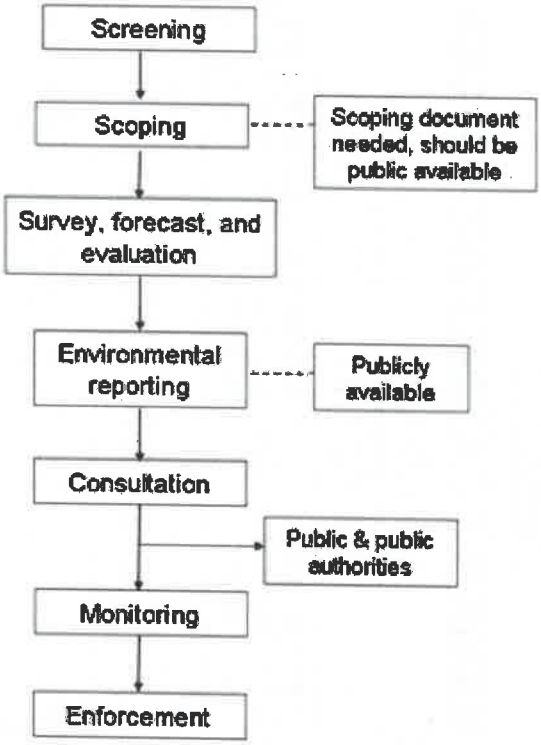


Figure 10. EIS Process Flowchart

Project Characteristics

The proposed solar power project is in Brgy. Las Piñas, Municipality of Peñaranda, Province of Nueva Ecija, the municipality, which has a land size of 95.00 square kilometers, belongs Region 3. As per 2015 Census of the Philippine Statistics Authority, the population of Peñaranda was 27,410. Majority of the upland towns and some of those in lowlands trade with Peñaranda due to its strategic geographical position. The coordinates of Peñaranda are 15°21 latitude and 121°00 longitude.

Geological Setting

Central Luzon is a combination of towering mountains, extinct and active volcanoes, lush, verdant farmlands, and natural sea harbors. It is one of the leading growth regions in the Philippines, strategically located at the heart of Asia. Region III lies between Manila and Northern Luzon. It is composed of seven provinces, twelve cities and 118 municipalities. Its 7 provinces are Aurora, Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac and Zambales. Its 12 cities are Balanga from Bataan, Malolos and San Jose del Monte from Bulacan, Cabanatuan, Gapan, Muñoz, Palayan and San Jose from Nueva Ecija; Angeles and San Fernando from Pampanga, Tarlac from Tarlac; and Olongapo from Zambales.

It includes all land area north of Manila Bay from the tip of Bataan peninsula on the west, and all the lands north of the Caraballo mountains on the east. It is the longest contiguous area of lowlands and is otherwise known as the Central Plains of Luzon. The region produces one third of the country's total rice production, thus is also called the Rice Granary of the Philippines.

Located adjacent to the National Capital Region (NCR), it has benefited from the "spillover" from Metro Manila. It is a part of the National Industrial Core Region, together with NCR and Region IV or the Southern Tagalog Region. The Core Region contributed 70% of manufacturing

value added in 1988. It has emerged as an alternative area for investment to Region IV but is still overcoming the effects of the Mount Pinatubo eruption in 1991.

Only 66 kilometers away from Metro Manila, Central Luzon contains the largest plain in the country and is the gateway to the Northern Luzon regions. It covers a total land area of 21,470 square kilometers. The City of San Fernando, in Pampanga, is the regional center. Aurora was transferred from Region IV to Region III through Executive Order No. 103 in 2002.

In terms of population, Region III was the third largest region, containing 10.50 percent of the 76.5 million human beings of the country as recorded in Census 2000. Located at the crossroads of Asia-Pacific, Central Luzon is one of the dynamic and vibrant regions in the Philippines. It caters to European and American business organizations desiring to penetrate Asia.

Climatic Conditions

Peñaranda, Nueva Ecija is part of is classified by the Manila Observatory and Department of Environmental and Natural Resources as an area with high risk of typhoons (**Figure 11).**

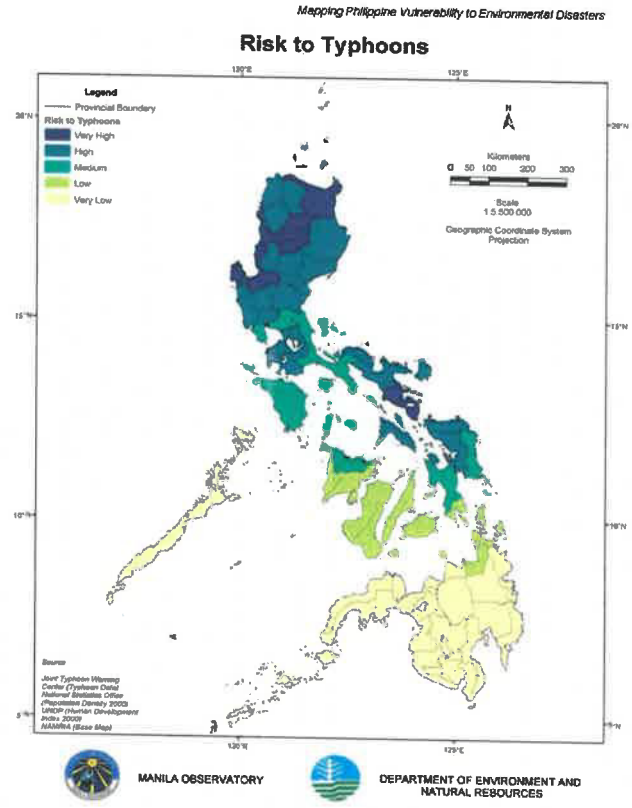


Figure 11. Joint Department of Environment and Natural Resources (DENR)-Manila Observatory published Philippine Typhoon Risk Map, 2005

Volcanic Activity

The Philippines is in a tectonic setting ideal to volcanic formation. Subducting plates manifested by trenches is related to volcanic formation. A volcano is considered active when it has erupted within historical times (within the last 600 years), account of these eruptions was documented by man; erupted within the last 10,000 years based on the analyses of datable materials. Potentially active volcanoes are morphologically young-looking but with no historical records of eruption. Inactive volcanoes have no records of eruptions and physical form is being changed by agents of weathering and erosion via formation of deep and long gullies.

The nearest volcanic threat to the project area is the Mount Pinatubo considered to be one of the most active in the world. It is approximately 73 kilometers from the project site.

Landslide and Flooding Susceptibility

Barangays Las Piñas where the project site is located has low susceptibility to natural hazards such as landslides (**Figure 12**). Site investigation and interviews confirm the low likelihood of flooding (**Figure 12**) and inundation to affect the area. The potentials of landslides are identified to be limited along the channel banks of a creek, in areas where the slope consists of exposed loose material such as soil and highly weathered sections of the tuff bedrock. The potential likelihood of occurrence of such landslides are considered low, which may possibly occur during severe weather conditions and high-magnitude earthquakes, of which the affected areas are most likely to be limited along the channel banks.

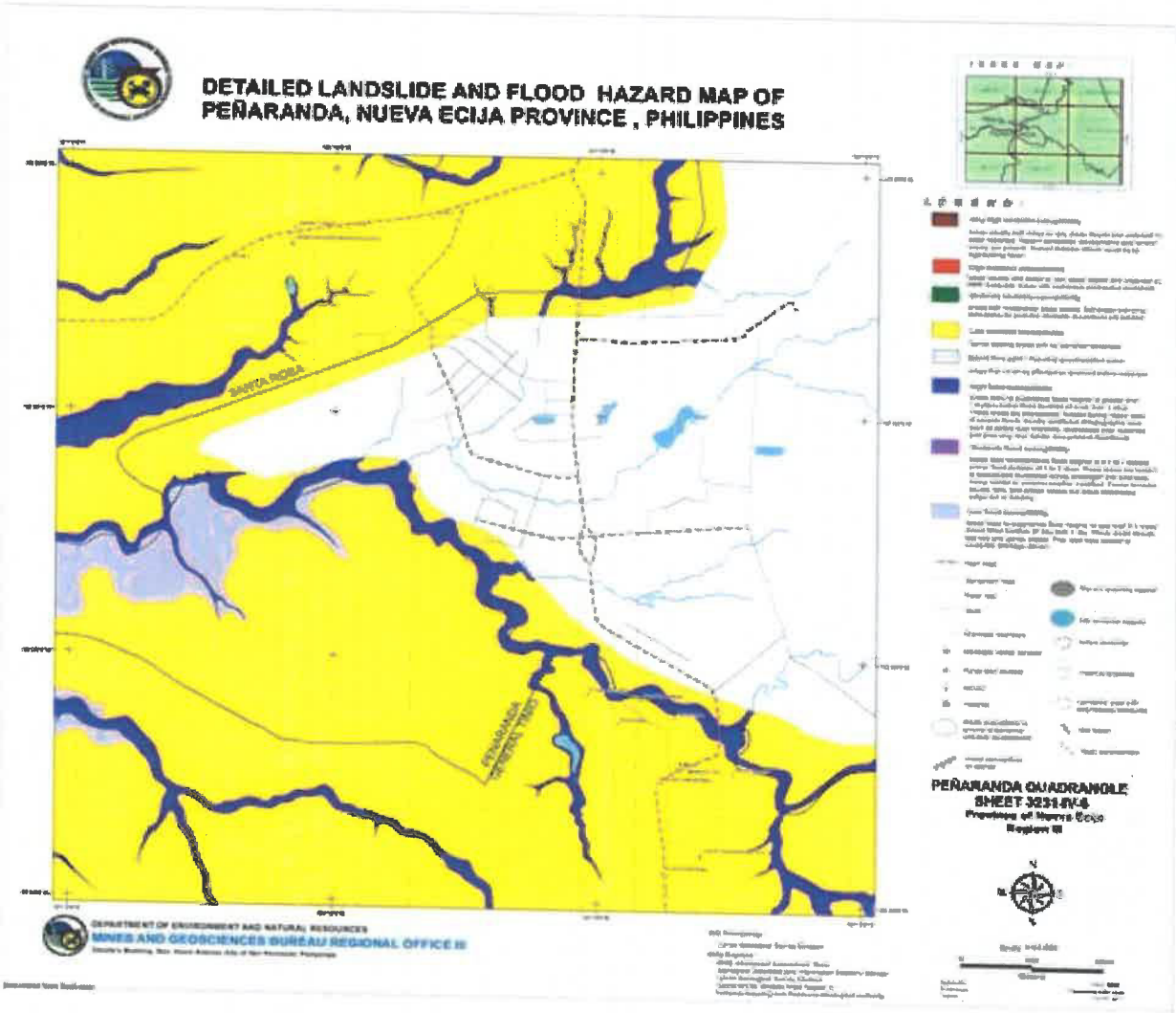


Figure 12. Landslide hazard map of Nueva Ecija Province

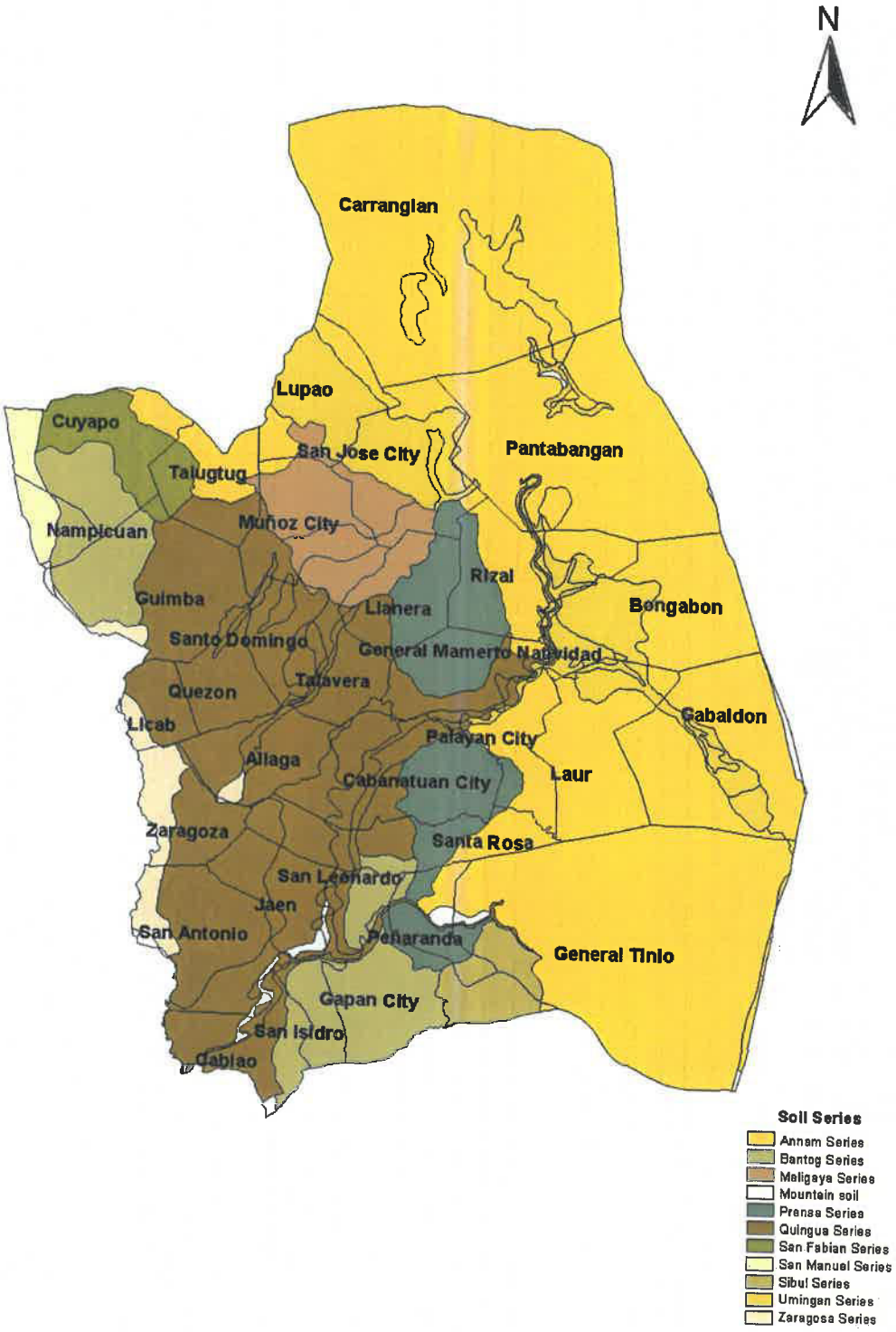


Figure 13. Soil Classification of Nueva Ecija

The soil classes encountered in study site is presented in **Figure 13**. Soil series within the project area is dominated by the Prensa Series covering about 2/3 of the Project area. The middle and eastern part consists of the Prensa Series and makes up the rest of the project area (Source Philippine GIS Clearing House, 2017).

Environmental Impacts

Renewable energy plant reduces the impact of combustion used in fossil power generation, such as the emission of air pollutants like sulfur dioxide, nitrogen oxides, carbon monoxide, volatile organic compounds and greenhouse gas carbon dioxide.

Social Impacts

Safety and public health hazards – Contractors will be required to implement standard safety measures to protect workers from accidents. Health precautions will be taken to for workers and nearby residents to mitigate any possible health risk.

Land acquisition and resettlement plan – Damages to crops and existing structures will be properly compensated before full project implementation. If there are any residents living in the project area, they will be properly relocated and compensated in accordance with government rules.

Employment opportunities – The solar power project construction will generate employment opportunities through direct employment and development of the service industry

Benefits – Pursuant to DOE Energy Regulation 1-94, a financial benefit will be granted to the host community of the solar power project. The financial benefit is equivalent to Php 0.01 per kWh generated by the facility. This benefit will be allocated to the electrical fund, development and livelihood fund, and reforestation/watershed management fund.

8 FINANCIAL PROJECTIONS

The Sta. Rosa Nueva Ecija 2 Solar Power Project will cost Php 10,820,066,000 covering all project expense such as pre-development cost, interconnection costs, engineering, procurement, and construction cost (EPC), and taxes. Enlisted below is the cost breakdown of the Sta. Rosa Nueva Ecija 2 Solar Power Project:

Project cost breakdown:	in P 000s
Land / Development	1,073,250
EPC Cost	8,347,500
VAT on EPC	300,510
Interconnection cost	477,000
VAT on interconnection	17,172
Total initial capex	**10,215,432**
Other financing costs (Capitalized interest, DST, etc)	589,812
Other capitalization costs (DST, filing fees, etc)	14,822
TOTAL PROJECT COST	**10,820,066**

Table 3. Financial Projection

Funding breakdown	%	in P 000s
Debt	69.8	7,579,851
Equity	30.2	3,279,154
TOTAL		**10,859,004**

Table 4. Project Financing

CASES	COST	BENEFIT	Project IRR	Equity IRR	WACC	Remarks
Base Case (BC)	637.33	3.70	17.2%	30.4%	7.7%	PASS
Case 1 (-10% cost; BC benefit)	573.60	3.70	18.9%	34.9%	7.7%	PASS
Case 2 (+10% cost; BC benefit)	701.07	3.70	15.8%	26.5%	7.7%	PASS
Case 3 (BC cost; -10% benefit)	637.33	3.33	15.2%	24.8%	7.7%	PASS
Case 4 (BC cost; +10% benefit)	637.33	4.07	19.2%	36.0%	7.7%	PASS
Case 5 (+10% cost; -10% benefit)	701.07	3.33	13.9%	21.4%	7.7%	PASS
Case 6 (-10% cost; +10% benefit)	573.60	4.07	21.1%	40.8%	7.7%	PASS
Case 7 (+10% cost; +10% benefit)	701.07	4.07	17.6%	31.7%	7.7%	PASS
Case 8 (-10% cost; -10% benefit)	573.60	3.33	16.7%	28.9%	7.7%	PASS

Table 5. Sensitivity Analysis

The weighted average cost of capital (WACC) of the project is computed to be 7.7%. Since the WACC is less than the pIRR and eIRR in all case scenarios of the sensitivity analysis, the Sta. Rosa Nueva Ecija 2 Solar Power Project is therefore commercially feasible.

9 CONTACT DETAILS

For any inquiries regarding the Sta. Rosa Nueva Ecija 2 Solar Power Project, please direct them to the Solar Philippines representatives listed below:

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