# COVER SHEET

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Sec. Registration Number

| K | I | N | G | | E | N | E | R | G | Y | | G | E | N | E | R | A | T | I | O | N | | I | N | C | . | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

(Company's Full Name)

| K | E | G | I | | B | L | D | G | . | , | | P | U | R | O | K | | 1 | 0 | | T | A | B | L | O | N | , | | |
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| C | A | G | A | Y | A | N | | D | E | | O | R | O | | C | I | T | Y | | | | | | | | | | | | |

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

| RAMIL T. INZO, ASP, CCO | (088) 857-6368 |
|---|---|
| Contact Person | Company Telephone Number |

| 1 | 2 | 3 | 1 | 2 | 0 - I S A | 1 | 0 | 0 | 8 |
|---|---|---|---|---|---|---|---|---|---|
| *Month* | *Day* | | | FORM TYPE | | *Month* | | *Day* | |
| Calendar Year | | | | DEFINITIVE INFORMATION STATEMENT REPORT | | Annual Meeting | | | |

Seconday License Type, if Applicable

| | | | |
|---|---|---|---|
| Dept. Requiring this Doc. | | Amended Articles Number/Section | |

| THIRTY-FIVE (35) | | |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

| | |
|---|---|
| File Number | LCU |
| DOCUMENT I.D. | Cashier |

STAMPS

Remarks = pls. use black ink for scanning purposes

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**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**OF KING ENERGY GENERATION INC.**

**October 8, 2026**

The Annual Stockholders' Meeting of the Company will be held in person on October 8, 2026, at 2:00 P.M., at the principal office located at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City.
The agenda of the meeting will be as follows:

1. Call to Order
2. Certification of Due Notice and Presence of a Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on October 8, 2025
4. Chairman's Report
5. Presentation of Reports; (Chief Executive Officer, Management Committee, Nomination, Remuneration and Corporate Governance Committee, Audit and Risk Management Committee);
6. Presentation of the Highlights of Audited Financial Statements as of and for the Year Ended December 31, 2025 (Treasurer's Report)
7. Ratification of All Previous Actions of the Directors and Officers of the Corporation
8. Election of Directors (2026-2027)
9. Appointment of External Auditors
10. Open Forum/Questions and Answers
11. Other Matters
12. Adjournment

**STOCKHOLDERS OF RECORD AS OF September 10, 2026** are entitled to the notice of and to vote in the said meeting. Stockholders intending to vote and participate must notify the Corporate Secretary via electronic mail at: ***corpsec@kingenergy.info*** and submit the following requirements: copy of valid government issued ID with full name, signature, and photograph, proxy form, and proof of authority (i.e. Special Power of Attorney, Secretary's Certificate and/or Board Resolution), not later than **October 8, 2026**. Once validated and verified, details of the meeting, voting guidelines, and other relevant information will be sent to the stockholder by electronic mail.

Electronic copies of the Minutes of the 2026 Stockholders' Meeting, Information Statement, Management Report, and SEC Form 17A and other relevant documents are posted at the Company's website ***https://kingenergy.info/***.

The agenda does not include any matter that may give rise to the exercise of appraisal right.

For information and guidance.

By:

Atty. Marites F. Sangual, CCO
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [] Preliminary Information Statement

   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter KING ENERGY GENERATION INC.

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

4. SEC Identification Number CS201019693

5. BIR Tax Identification Code 007-935-629

6. KEGI Bldg., Purok 10, Tablon Cagayan de Oro City 9000
   Address of principal office Postal Code

7. Registrant's telephone number, including area code (088) 857-6368

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

   Date : October 8, 2026

   Time : 2:00 P.M.
   Place : KEGI Bldg., Purok 10, Tablon Cagayan de Oro City

9. Approximate date on which the Information Statement is first to be sent or given to security holders September 15, 2026

**10.** ***In case of Proxy Solicitations:***

Name of Person Filing the
***Statement/Solicitor:*** ***KING ENERGY GENERATION INC.***
***KEGI BLDG., PUROK 10 TABLON CAGAYAN DE ORO CITY***

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|---|

a) Authorized Capital Stock

Common Shares, 4,500,000

b) Issued and Outstanding Shares (as of)
Common Shares, 84,962,400 849,624 shares

c) Amount of Debt Outstanding (as of December 31, 2025)

12. Are any or all of registrant's securities listed in a Stock Exchange?

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

KING ENERGY GENERATION INC.
A Power Generation Company
"Efficiently providing you the most reliable source of energy"

## DESCRIPTION OF AGENDA ITEMS

**1. Call to Order**

To ensure that participants will be given adequate time to enter the platform, registration will start at 1:00 P.M. The Chairman will officially call the meeting to order at exactly 2:00 P.M. The *Guidelines for the Conduct of the Annual Stockholders' Meeting* is included in the Information Statement.

**2. Certification of Due Notice and Presence of a Quorum**

The Corporate Secretary will certify that notice has been given to all stockholders of record and determine whether a quorum exists to transact business. A stockholder participating by remote communication or voting in absentia, electronically or by proxy, shall be deemed present for purposes of quorum.

**3. Approval of the Minutes of the Annual Stockholders' Meeting held on October 8, 2025**

The minutes of the previous Annual Stockholders' Meeting held on October 8, 2025 which may be downloaded at ***https://kingenergy.info/*** will be presented to the stockholders for approval.

**4. Chairman's Report**

The Chairman, Engr. Edelyn Jane A. Salvame, will report on the operational highlights of the Company for the year 2026 and plans for 2027. Details of the Company's performance are included in SEC 17-A or the Annual Report.

**5. Presentation of Chief Executive Report**

The Chief Executive Officer, Engr. Edelyn Jane A. Salvame, will report on the accomplishments of the company for the highlights for the year 2025.

**6. Presentation of Management Committee Report**

The Chairperson of the Management Committee, Engr. Edelyn Jane A. Salvame, will report on the accomplishment of the Management Committee for the year 2025.

**7. Presentation of Nomination, Remuneration and Corporate Governance Committee Report**

The Chairperson of the Nomination, Remuneration and Corporate Governance Committee, Atty. Alisa Trena R. Olano, REA, REB, REC, will report on the accomplishment of the Nomination, Remuneration and Corporate Governance Committee for the year 2025.

**8. Presentation of Audit and Risk Management Committee Report**

The Chairperson of the Audit and Risk Management Committee, Atty. Jasper P. Alon, will report on the accomplishment of the Audit and Risk Management Committee for the year 2025.

**9. Presentation of the Highlights of Audited Financial Statements as of and for the Year Ended December 31, 2025 (Treasurer's Report)**

The Treasurer, Ms. Jodette P. Ello, CPA will report on the financial performance of the Company for the year 2025. The Company's audited financial statements are also included in SEC 17-A or the Annual Report attached.

**10. Ratification of All Previous Actions of the Directors and Officers of the Corporation**

The Management of the Corporation performed its duties and responsibilities within the mandate of the laws and in accordance with the purposes of the corporation

The existence and active involvement of the (1) Management Committee, (2) Nomination Renumeration and Corporate Governance Committee, respectively, ensures the proper execution of actions for the betterment of the corporation.

Moreso, various board resolution totaling 63 were issued by the Board of Directors for the year 2025.

**11. Election of Directors (2026-2027)**

The qualifications of the nominees are evaluated by the Nomination, Remuneration, and Corporate Governance Committee based on the criteria and guidelines as required by the *Manual on Corporate Governance*. The profile of the nominees are also found in the Information Statement.

**12. Appointment of External Auditors**

The external auditor conducts an independent review of the Company's financial profile. The Audit Committee has recommended Baconga Patriana & Co/Jeserio G. Lonon, to be the Company's external auditor for the year 2026- 2027.

**13. Other Matters**

The Chairman will open the floor for questions and or comments from the stockholders.

**14. Adjournment**

Atty. Marites F. Sangual, CCO
Corporate Secretary

**KING ENERGY GENERATION INC.**
**ANNUAL STOCKHOLDERS' MEETING**
**October 8, 2026**

**P R O X Y F O R M**

**This proxy is being solicited on behalf of the Board of Directors and Management of KING ENERGY GENERATION INC.**(the "Company") for voting at the Annual Stockholders' Meeting to be held on **October 8, 2026** at **2:00 P.M.** at the **KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City, Philippines.**

I, the undersigned stockholder of the Company, do hereby appoint, name, and constitute the Company's **Chairperson**, **ENGR. EDELYN JANE A. SALVAME**, or**,** in her absence, **the Presiding Officer of the 2026 Annual Stockholders' Meeting of the Company,** as my attorney-in-fact and proxy, to represent me at the Annual Stockholders' Meeting of the Company to be held on **October 8, 2026** at **2:00 P.M.**, and any adjournment(s) and postponement(s) thereof, as fully and to all intents and purposes as I might or could do if present and voting in person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) or postponements(s) thereof. In particular, I hereby direct my said proxy to vote on the agenda items set forth below as I have expressly indicated by marking the same with an "**X**".

| **AGENDA ITEMS** | **ACTION** | | |
|---|---|---|---|
| **Item 1.** Call to Order | No action necessary. | | |
| **Item** 2. Proof of Notice and Certification of Quorum | No action necessary. | | |
| | FOR | AGAINST | ABSTAIN |
| **Item 3.** Approval of the Minutes of the Previous Meeting of the Stockholders | | | |
| **Item 4.** Noting of the Management Report and Approval of the Audited Financial Statements for the year ended December 31, 2024 | | | |
| **Item 5.** Ratification of Acts of Management and the Board of Directors from the date of the last annual stockholders' meeting up to the present | | | |
| **Item 6.** Election of Directors | | | |
| For Director: | | | |
| Engr. Edelyn Jane A. Salvame | | | |
| Engr. Gilbert J. Rodriguez | | | |
| Engr. Ariel J. Buragay | | | |
| Jodette P. Ello, CPA | | | |
| Raymond B. Ang | | | |
| Sally O. Ang | | | |
| Milagros S. Castro, CPA | | | |
| For Independent Director: | | | |
| Atty. Jasper P. Alon | | | |
| Atty. Alisa Trena R. Olano, REA, REB, REC | | | |
| **Item 7.** Appointment of BACONGA, PATRIANA & CO./JESERIO G. LONON, JR. as the Company's external auditor | | | |
| **Item 8.** Other Matters | According to Proxy's Discretion. | | |
| **Item 9.** Adjournment | No action necessary. | | |

**IN CASE A PROXY FORM IS SIGNED AND RETURNED IN BLANK**

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

- FOR the approval of the minutes of the previous meeting of the stockholders;
- FOR the noting of the Management Report and approval of the Audited Financial Statements for year ended December 31, 2025;
- FOR the ratification of all acts of Management and the Board of Directors from the date of the last annual stockholders' meeting up to the present;
- FOR the election of the following directors: Engr. Edelyn Jane A. Salvame, Engr. Gilbert J. Rodriguez, Engr. Ariel J. Buragay, Jodette P. Ello, CPA, Raymond B. Ang, Sally O. Ang, Milagros S. Castro, CPA, Atty. Jasper P. Alon and Atty. Alisa Trena R. OLano, REA, REB, REC;
- FOR the approval of the appointment of (Baconga, Patriana and Co./ Jeserio G. Lonon Jr.) as the Company's external auditor; and
- To authorize the Proxy to vote on any matter that may be discussed under "Other Matters".

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No member of the Board of Directors or executive officer since the beginning of the last fiscal year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

**VALIDATION OF PROXIES**

Proxy forms shall be validated as these are received by the Corporate Secretary until **October 3, 2026**. The proxy forms shall be submitted to the Company on or before **10: 00 A.M.** of **September 26, 2026**

**REVOCATION OF PROXIES**

A stockholder giving a proxy may revoke it in accordance with Part II, Item 3 (Revocability of Proxy) of the Information Statement.

Signed this _____at _____.
(DATE) (PLACE)

_____ _____

Printed Name of Stockholder/s Signature of Stockholder/s or Authorized Signatory

[*N.B.: Partnerships, Corporations, and Associations must attach certified resolutions or extracts thereof designating Proxy/Representative and authorized signatories.]

# I. INFORMATION REQUIRED

## A. GENERAL INFORMATION

**ITEM 1. DATE, TIME, AND PLACE OF MEETING**

The Annual Stockholders' Meeting of **KING ENERGY GENERATION INC. ("Company or Registrant")** will be held in person on **October 8, 2026** at **2:00 P.M.** .The meeting will be presided by the Chairman of the Board of Directors at the Corporation's principal office located at **KEGI Bldg., Purok 10, Tablon Cagayan de Oro City**. The approximate date when the Information Statement will be first sent to security holders will be on **September 15, 2026** and will be uploaded at the Company's website ***https://kingenergy.info/.***

| | | |
|---|---|---|
| Date and time of meeting | : | October 8, 2026 |
| Place of meeting | : | KEGI Bldg., Purok 10, Tablon Cagayan de Oro City |
| Access to the meeting | : | zoom link:<br>***https://us06web.zoom.us/launch/jc/89357161897***<br><br>Access for those who will opt to attend via zoom. |
| Mailing address | : | ***corpsec@kingenergy.info*** |

**ITEM 2. DISSENTERS' RIGHT OF APPRAISAL**

The Revised Corporation Code allows the exercise of the appraisal right by any dissenting stockholder only in the following instances:

a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

b. In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the Company's property and assets;

c. In case of merger or consolidation; and

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

Pursuant to Section 81 of the Revised Corporation Code, any dissenting stockholder who votes against the proposed corporate action and who wishes to exercise his appraisal right must make a written demand on the Company, within thirty (30) days after the date of the meeting when the vote was taken, for the payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. Upon payment, he must surrender his certificates of stock and transfer the shares to the Company. No payment shall be made to any dissenting stockholder unless the Company has

unrestricted retained earnings in its books to cover such payment.

There are no matters or proposed actions included in the Agenda for the 2026 annual stockholders' meeting that constitute any of the instances in which a dissenting stockholder is allowed to exercise his/her appraisal right.

**ITEM 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

No member of the Board of Directors or executive officer since the beginning of the last fiscal year, or nominee for election as director, or their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

No director has informed the Company in writing or otherwise that she intends to oppose action to be taken up at the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

**ITEM 4. VOTING SECURITIES AND ITS PRINCIPAL HOLDERS**

As of September 10, 2026 there are 35 outstanding common shares (at P 100 par value). Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulative voting. There is no classification of voting securities.

- **Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More Than 5% of Any Class of the Registrant's Voting Securities**

(1) Security Ownership of Certain Records and Beneficial Owners (more than 5% of the voting shares) as of September 10, 2026

| | SHAREHOLDER'S NAME | NUMBER OF SHARES | % OF OWNERSHIP |
|---|---|---|---|
| 1 | Engr. Edelyn Jane A. Salvame | 7,433,000 | 28.209% |
| 2 | Rosalie A. Salvame | 6,375,000 | 24.194% |
| 3 | Zhuang Fei Long | 3,825,000 | 14.516% |
| 4 | Chong Man Ping | 3,825,000 | 14.516% |
| 5 | Raymond B. Ang | 2,547,000 | 9.6662% |

- **Voting Trust Holder/s**

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

- **Change in Control**

No change in control of the Company has occurred since the previous fiscal year. The Company is not aware of any existing arrangement which may result in a change in control of the Company.

- **Security Ownership of Directors/Management**

The following Directors/Management personnel own shares in the Company as of September 10, 2026

| | SHAREHOLDER'S NAME | NUMBER OF SHARES | % OF OWNERSHIP |
|---|---|---|---|
| 1 | Engr. Edelyn Jane A. Salvame | 7,433,000 | 28.209% |
| 2 | Engr. Gilbert J. Rodriguez | 1,000 | 0.004% |
| 3 | Engr. Ariel J. Buragay | 1,000 | 0.004% |
| 4 | Jodette P. Ello, CPA | 1,000 | 0.004% |
| 5 | Milagros S. Castro, CPA | 5,000 | 0.019% |
| 6 | Atty. Jasper P. Alon | 1,000 | 0.004% |
| 7 | Atty. Alisa Trena R. Olano, REA, REB, REC | 1,000 | 0.004% |
| 8 | Raymond B. Ang | 2,547,000 | 9.666% |
| 9 | Sally O. Ang | 1,273,000 | 4.831% |

**ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS**

**Directors**

**Engr. Edelyn Jane A. Salvame**

Engr. Salvame has been appointed as the President and Chief Executive Officer of the company. She brings over seven years of impressive experience as the Chief Operating Officer of the company prior to her current role. She also served as the Chief Operating Officer of Ibaan Electric Corp (IEC), a power distribution company, from 2018 until June 30, 2022, and has been its President/CEO and Chairman of the Board since July 01, 2022. Additionally, she has been the President of Maramag Mini-Hydro Power Corporation since July 01, 2002, and continues to hold that position. Her extensive work experience extends beyond the power industry. She is currently the President of Meter King Inc. (MKI), a Class Triple-A general contractor, and has been the President of ESRA Prime Corp., a holding company, since 2022. Moreover, she is the sole shareholder of Suburban Estate Properties and Eaglewood Heights, both single-person corporations since 2021, and a shareholder and treasurer of Grandscape Homes Corp since 2018. She is highly motivated and passionate about her work and leading the corporation toward greater success.

**Sally O. Ang**

Sally Ang was the Corporate Secretary and Finance Manager of the Company. As a board member since 2010, she has actively participated and supported the Board of Directors in all major decision such as supporting and reviewing the CEO's platform and analyzing and approving major policies and decisions. She is one of the incorporators and a valuable member of the core team who is responsible for propelling the company to its present stature in the power generation industry. She is also a Director/Board Member/ Finance Manager of Meter King, Inc. since 2001. Currently, she is one of the Board of Directors of the Company

**Raymond B. Ang**

Raymond Ang is a Director and a Board Member of the company since 2010. He has actively participated in all major decisions of the Board of Directors that helped propel the company to its present stature as one of the most dependable and trustworthy power generation companies in Mindanao. He also served as the Chief Operating Officer of the company during its early years of operation from 2010 to 2014. Moreover, he was the Branch Manager of Meter King, Inc. from 1995- 2001 and thereafter continuously being elected as Board Member. Currently, he is one of the Board of Directors of the Company.

**Milagros S. Castro, CPA**

Ms. Castro is also a Director and a Board member of the company. She is a Certified Public Accountant by profession. With more than forty (40) years of vast experience in finance from her previous engagements as an employee, and as a consultant to various corporations, having different structures and dynamics such as banking institutions, pharmaceutical companies, logistics, and island resorts like Power Express Forwarder Inc. Sangat Island Resort, FH Management Services Inc., FH Asset Management Corp, FH Corporate Services Inc. and Health Wellness Lifestyle Inc., she has seen the enormous possibilities of the company not only in the power generation industry but in other forms of diversifications in renewable energy. Currently, she is one of the Board of Directors of the Company.

**Engr. Gilbert J. Rodriguez**

Engr. Rodriguez is currently the Senior Vice President, and Chief Operating Officer of the Company. Previously he was the General Manager of the company. He started as the Head of the Technical Consultants of the company in 2010. He was hired and appointed as the General Manager a year after. It was his valuable contributions that played a vital role in the success of the first power generation plant of the company which paved the way to putting up additional six (6) power plants in various areas of Mindanao. He is also instrumental in the successful development, launching, and operations of Maramag Mini Hydro Power Plant. He is also the President and Chairman of the Board of Diamond Streamworks Inc. which is engaged in the business of bulk water supply. In addition to these, he is also Board of Director of Metro-Rei Property Ventures, Inc. which is engaged in property development, leasing, and bulk water. Lastly, he is a Board of Director of G.L. Paragon.

**Engr. Ariel J. Buragay**

Engr. Buragay joined the company as Plant Manager of MOPP1 in February 2016. He has brought along with him his nearly three (3) decades of technical experience gained from various industries: engineering services, beverage industry, seafarer manpower services, electro-mechanical construction, steel mill industry, timber, and wood products. Now, he is the Vice President - Operations of the Company. On March 2008 until January 2014, he was the Engineering Department Head of Asia Pacific Timber and Plywood Corporation, APTPCO. Then, he became a Liaison Officer on August 2014- March 2015 at Evergrowth Wooden Product Corp. After that, he is the former Plant OIC of Great Providence Wood Products Corporation. Although Engr. Buragay is one of the loyal employees of the company and he is an expert on his field.

**Jodette P. Ello, CPA**

Ms. Ello started as the General Accountant of the company. Her tenure in her initial post was from December 2012- 2013. In recognition of her effectiveness as a General Accountant, in 2013 she was promoted to Accounting/Administrative Manager. For (8) years, she was able to effectively implement accounting workflow, policies, and procedures; analyze the financial position and performance of the company to assure viability and continuity of the operation. In 2023 up to the present, she is serving as Vice President-Finance and Accounting which oversees the overall financials and accounting status of the company. Her participation adds value to all future investments, diversifications, expansions, corporate directions, and executive judgment of the Board of Directors and all stakeholders.

**Atty. Jasper P. Alon**

At a young age, the Independent Director, has demonstrated wide/extensive knowledge in the legal field since passing the Philippine Bar Examination. He is a Senior Partner and Litigator at Alon & Partners Law Office since June 2024 up to the present. Since August 2023, he has also held the position of Land Use Consultant and Compliance Officer at GAMA Foods Corporation. Additionally, he serves as legal counsel for Archlight Maya Agro Ventures Corporation and JOPCA Corporation Ventures from May 2023 to present. Apart from these, Atty. Jasper is also a law professor at Xavier University- Ateneo de Cagayan and a former professor at Liceo de Cagayan University- College of Law from June 2022 to October 2023. In addition to his legal roles, he is the Corporate Secretary for Oro Oriental Oil Corporation.

**Atty. Alisa Trena R. Olano, REA, REB, REC**

Aside from being a lawyer, the Independent Director, Atty. Olano, is also a Licensed Real Estate Broker, Real Estate Appraiser and a Real Estate Consultant, respectively. Moreover, she is much knowledgeable in the business industry because she is the owner of various of businesses in the City of Cagayan de Oro. She is the owner of Body Basics Nail Salon and SPA and Franchisee and operator of Nailandia Nail Studio and Body Spa which was located at SM CDO Downtown Premier Branch that was in operation from February 2017 to May 2022. In addition, she is also the owner and operator of the famous Philtown Hotel and Oriental Garden Resort. Atty Olano is not only a good lawyer but also an admirable entrepreneur.

**Key Executive Officers**

**Engr. Edelyn Jane A. Salvame (President/Chief Executive Officer)**

Engr. Salvame has been appointed as the President and Chief Executive Officer of the company. She brings over seven years of impressive experience as the Chief Operating Officer of the company prior to her current role. She also served as the Chief Operating Officer of Ibaan Electric Corp (IEC), a power distribution company, from 2018 until June 30, 2022, and has been its President/CEO and Chairman of the Board since July 01, 2022. Additionally, she has been the President of Maramag Mini-Hydro Power Corporation since July 01, 2002, and continues to hold that position. Her extensive work experience extends beyond the power industry. She is currently the President of Meter King Inc. (MKI), a Class Triple-A general contractor, and has been the President of ESRA Prime Corp., a holding company, since 2022. Moreover, she is the sole shareholder of Suburban Estate Properties and Eaglewood Heights, both single-person corporations since 2021, and a shareholder and treasurer of Grandscape Homes Corp since 2018. She is highly motivated and passionate about her work and leading the corporation toward greater success.

**Engr. Gilbert J. Rodriguez (Senior Vice President)**

Engr. Rodriguez is currently the Senior Vice President, and Chief Operating Officer of the Company. Previously he was the General Manager of the company. He started as the Head of the Technical Consultants of the company in 2010. He was hired and appointed as the General Manager a year after. It was his valuable contributions that played a vital role in the success of the first power generation plant of the company which paved the way to putting up additional six (6) power plants in various areas of Mindanao. He is also instrumental in the successful development, launching, and operations of Maramag Mini Hydro Power Plant. He is also the President and Chairman of the Board of Diamond Streamworks Inc. which is engaged in the business of bulk water supply. In addition to these, he is also Board of Director of Metro-Rei Property Ventures, Inc. which is engaged in property development, leasing, and bulk water. Lastly, he is a Board of Director of G.L. Paragon.

**Engr. Ariel J. Buragay (Vice President Operations)**

Engr. Buragay joined the company as Plant Manager of MOPP1 in February 2016. He has brought along with him his nearly three (3) decades of technical experience gained from various industries: engineering services, beverage industry, seafarer manpower services, electro-mechanical construction, steel mill industry, timber, and wood products. Now, he is the Vice President - Operations of the Company. On March 2008 until January 2014, he was the Engineering Department Head of Asia Pacific Timber and Plywood Corporation, APTPCO. Then, he became a Liaison Officer on August 2014- March 2015 at Evergrowth Wooden Product Corp. After that, he is the former Plant OIC of Great Providence Wood Products Corporation. Although Engr. Buragay is one of the loyal employees of the company and he is an expert on his field.

**Jodette P. Ello, CPA (Vice President Accounting)**

Ms. Ello started as the General Accountant of the company. Her tenure in her initial post was from December 2012- 2013. In recognition of her effectiveness as a General Accountant, in 2013 she was promoted to Accounting/Administrative Manager. For (8) years, she was able to effectively implement accounting workflow, policies, and procedures; analyze the financial position and performance of the company to assure viability and continuity of the operation. In 2023 up to the present, she is serving as Vice President-Finance and Accounting which oversees the overall financials and accounting status of the company. Her participation adds value to all future investments, diversifications, expansions, corporate directions, and executive judgment of the Board of Directors and all stakeholders.

**Ramil T. Inzo, ASP, CCO (Vice President Compliance/Compliance Officer)**

He started as the Safety and Environment Head of the company in September 2012. Concurrent to this designation is his appointment as Bukidnon Power Plant 1's (BPP1) Head Safety Officer and Officer-In-Charge. He was able to effectively plan and execute the safety programs of the plant and four (4) power plants undergoing construction then. His tenure with BPP1 ended in May 2013 since he was designated as the Compliance Officer of the company concurrent with his function as Safety, Health, and Environment Head. From April 2017 to December 2022, he served as the Safety, Health, and Environmental Manager at King Energy Generation Inc. Here he led comprehensive safety, health, and environmental programs, ensuring regulatory compliance and nurturing a culture of workplace safety. His outstanding performance includes the development, planning, and implementation of safety and environmental policies, including the proper management of hazardous waste. He ensures timely and cost-efficient compliance with legal requirements and permits from regulatory agencies such as the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB), Department of Agrarian Reform (DAR), Department of Agriculture (DAR), Department of Labor and Employment (DOLE), National Water Resources Board (NWRB), applicable Local Government Units (LGU), and national regulations, respectively. He continuously attends training and seminars to keep himself abreast with the most recent best practices in the industry. His competencies include his special skills in environmental assessment/preparer, land use conversion, resident 3rd party safety facilitator/lecturer, safety, health and environmental.

**Atty. Marites F. Sangual, CCO (Legal Manager/Corporate Secretary)**

Atty. Sangual held the position of Corporate Counsel of the company from February 1, 2018 up to December 31, 2021. She was promoted as Legal and Administrative Division Manager on January 1, 2022. Later in January 2023, she was retained as Legal Department Manager up to the present. In August 2023 up to the present, she was appointed as the Corporate Secretary of the company. As Legal Department Manager of the company, her primary responsibility is to ensure the company's compliance with lawful orders, rules and policies, and laws as well as safeguard the company's rights and interests, among others. Being at the forefront of the legal department, she is steadfast in monitoring the compliance of the company to government-mandated laws, ruling and implementing guidelines that applies to the power generation industry by keeping herself knowledgeable on the most recent updates from all possible sources of information. She also collaborates and provides legal assistance with all stakeholders, department heads, and the core team to educate them on all requirements for compliance, legal, and data protection requirements whenever necessary. She has attended various seminars and training about continuing legal education, management, strategic planning, and corporate governance.

**CORPORATE GOVERNANCE**

The company has adopted its Manual of Corporate Governance.

**I. BOARD GOVERNANCE**

**Section 1.0 Composition of the Board**

1.1 The Board consists of nine (9) directors who shall be elected by the stockholders at a regular or special meeting in accordance with the Amended By- Laws of the Company.
1.2 The Board shall have at least two (2) independent directors or such number of independent directors that constitute twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

**Section 2.0 Independent Directors**

2.1 Independent Director means a person who, apart from his fees and shareholdings, is independent of Management and the controlling shareholder, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person who:

a. Is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

b. Is not, and has been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;

c. Does not own more that two percent (2%) of the shares of the company and/or its related companies or any of its substantial shareholders;

d. Is not related to any director, officer or substantial shareholder of the company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

e. Is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

f. Has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

g. Is not retained, either personally or through his firm or any similar entity, as a professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;

h. Has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and or through a firm of which he is a partner and/or a Company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;

i. Is not the chairman emeritus or an ex-officio director/officer or a member of the advisory board of the Company, or otherwise appointed in a capacity to assist the Board of the Company in the performance of its

duties and responsibilities within the last two (2) years;

j. Is not a director (other than an independent director) of the Company who resigned or whose term ended within the last two (2) years;

k. Is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman, and an authorized clerk of the broker or dealer;

l. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders;
Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) subsidiaries; and (c) subsidiaries of its holding/parent company.

2.2 Independent directors should, as much as possible, be in attendance during board meetings to promote transparency. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement.

**Section 3.0 Multiple Board Seats**

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in other corporations to ensure diligent and efficient performance of their responsibilities to the Company.

**Section 4.0 Duties and Responsibilities of the Board**

4.1 General Responsibility
a. The Board of Directors is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.
b. The Board should establish the Company's vision, mission, strategic objectives, policies, and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance.
c. A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, and fairness.

4.2 Specific Duties and Functions

To ensure a high standard of best practice for the Company and its stakeholders, the Board shall:
a. Adopt a process of selection to ensure a mix of competent directors and officers and oversee the implementation of compensation plans and professional development programs for officers and succession planning for senior management;

b. Oversee Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans, and policies and periodically evaluate Management's overall performance;

c. Ensure that the Company complies with all relevant laws, regulations, and endeavors to adopt best business practices;

d. Identify the Company's major and other stakeholders and oversee Management's formulation and implementation of the Company's policy on communicating or relating with them through an effective investor relations program and other appropriate communication programs;

e. Adopt a system of check and balance within the Board, which should be regularly reviewed for effectiveness;

f. Provide oversight with regard to enterprise risk management;

g. Identify key risk areas and key performance indicators and monitor these factors with due diligence;

h. Ensure that the Company establishes appropriate policies and procedures in accordance with these Manual and applicable laws and regulations, including, but not limited to, conflict of interest and related party transactions;

i. Constitute Board Committees, including an Audit and Risk Management Committee, that it deems necessary to assist the Board in the performance of its duties and responsibilities;

j. Consider the creation and maintenance of an alternative dispute resolution system in the Company that can amicably settle differences or conflicts between the Company and its stockholders, if applicable;
k. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minute;

l. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing law, rules and regulation; and

m. Appoint a Compliance Officer who shall have the rank of at least vice president.

n. Adopt alternative dispute mechanisms to amicably resolve and settled intra-corporate disputes.

**4.3 Chairman of the Board**

In addition to the duties provided in the By-Laws of the Company, the responsibilities of the Chairman in relation to the Board shall include the following:
a. To ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;

b. To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the directors and Management; and

c. To maintain qualitative and timely lines of communication and information between the Board and Management.

If the positions of Chairman and Chief Executive Officer (CEO) are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman must appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board.

**4.4 Internal Controls Responsibilities of the Company**

a. The control environment of the Company consists of:

i. The Board which ensures that the Company is properly managed and effectively supervised;

ii. The Management that actively manages and operates the Company in a sound and prudent manner;
iii. The organizational and procedural controls supported by effective management information and risk management reporting systems; and

iv. An independent audit mechanism to monitor the adequacy and effectiveness of the Company's financial

reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, confidential information, and compliance with laws, rules, regulations and contracts.

b. The Board's internal control mechanisms for the Board's oversight responsibility may include:

i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational controls;

ii. Selection of a CEO who possesses the ability, integrity and expertise essential for the position;

iii. Establishment by the Company of an internal audit system that can reasonably assure the Board, Management, and stockholders that the Company's key organizational and operational controls are appropriate, adequate, effective, and complied with;

iv. Selection and appointment of proposed senior management officers; and

v. Review of the Company's personnel and human resource policies and sufficiency, conflict of interest situations, changes in the compensation plan for employees and succession plan for officers and management.

**Section 5.0 Qualification of Directors**

5.1 Every director shall own at least one (1) share of the capital stock of the Company of which he is a director, which share shall stand in his name in the books of the Company. He must have all the qualifications and none of the disqualifications of a director. The following are the qualifications:

a. Possesses college education or the skills needed to effectively carry out his functions as director;

b. Possesses integrity/probity; and

c. Has strong adherence to legal and moral principles.
As much as possible, a director must have a practical understanding of business in general and of the business of the Company, in particular.

5.2 The director shall not engage in any competitive or antagonistic business or activities against KEGI (Company). The following are additional qualifications of a director, but are not limited to:

a. A director shall not be directly or indirectly interested as a stockholder in any other firm, company, or association which competes with KEGI;

b. A director shall not be the immediate member of the family of any stockholder in any other firm, company, or association which competes with KEGI;

c. A director shall not be an officer, agent, employee, attorney, or trustee in any other firm, company, or association which competes with KEGI; and

d. No person who is an attorney against KEGI in a lawsuit is eligible for service on the board.

5.3 The BOARD and the Nomination, Remuneration, and Corporate Governance Committee have the prerogative of determining whether the director or nominee is engaged in competitive or antagonistic business as a measure of self-defense to protect the corporation from the clear and present danger that the election of a business competitor to the Board may cause upon KEGI and the other stockholders' inseparable prejudice. In line with such, The BOARD and the Nomination, Remuneration, and Corporate Governance Committee may disqualify a competitor from nomination and election to its Board of Directors.

5.4 The Nomination, Remuneration, and Corporate Governance Committee may consider and recommend to the Board such other qualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

**Section 6.0 Disqualification of a Director**

6.1 Permanent Disqualification

a. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final and executory judgement, decree or order issued by a judicial or an administrative body having competent jurisdiction or the SEC:

i. an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

ii. any crime that (1) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (2) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (3) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them; or

iii. having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Revised Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation, or order of the SEC or BSP;

b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgement or order of the SEC or any court or administrative body of competent jurisdiction from: (1) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (2) acting as director, or officer of a bank, quasibank, trust company, investment house, or investment company; (3) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (1) and (2) above.

The disqualification shall also apply if such person: (1) is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; or (2) has otherwise been restrained to engage in any activity involving securities and banking or (3) is currently the subject or an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the said organization.

c. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs (a) and (b) above;

d. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation appointment; and

e. Any person judicially declared as insolvent.

**6.2 Temporary Disqualification**

The Nomination, Remuneration and Corporate Governance Committee may consider and recommend to the Board temporary disqualification of a director based on any of the following grounds:

a. Refusal to fully disclose the extent of his business interest as required by existing laws or Company rules and regulations. The disqualification shall be in effect as long as the refusal persists.

b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the
immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

c. Dismissal or termination for a cause as director of any corporation covered by the Governance Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.

d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a director recommended by the Nomination, Remuneration, and Corporate Governance Committee to be valid and effective must be approved by the Board, as well as, comply with the requirements of applicable laws, rules and regulations.

A temporary disqualified director shall, within such period prescribed by the Board, but in no case less than sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

6.3 If an independent director becomes an officer or employee of the Company, his designation as an independent director is automatically terminated and he shall be disqualified as an independent director.

6.4 The Nomination, Remuneration, and Corporate Governance Committee may consider and recommend to the Board other grounds for disqualifications that are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

**Section 7.0 Duties and Responsibilities of a Director**

A director shall have the following duties and responsibilities:
7.1 To conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interest of the Company;

7.2 To devote time and attention necessary to properly discharge and effectively perform his duties and responsibilities;

7.3 To act judiciously;

7.4 To exercise independent judgment;

7.5 To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;

7.6 To observe confidentiality of information; and

7.7 To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

**Section 8.0 Compensation of Directors**

Directors, as such, shall not receive any compensation unless approved by the stockholders or provided in the By-Laws of the Company. No director should participate in the approval of his compensation. However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings.

**Section 9.0 Board Committees**

The Board of Directors shall form Board Committees to aid in ensuring compliance with the principles of good corporate governance. The members of such Committees shall be appointed by the Board of Directors annually.

**9.1 Nomination, Remuneration, and Corporate Governance Committee**

a. The Nomination, Remuneration, and Corporate Governance Committee shall preferably have at least three (3) directors, one of whom must be an independent director.

b. The Nomination, Remuneration, and Corporate Governance Committee shall have the following duties and responsibilities:

i. Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval in accordance with the qualifications prescribed by law, pertinent rules and regulations, the Company's By-Laws and this Manual. The screening shall include the evaluation of the nominee's directorship, membership and officership in other corporations or organizations to ensure that he can perform his duties diligently and effectively;

ii. Provide a Final List of all qualified nominees to the Board;

iii. Recommends the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

iv. Proposes and plans relevant trainings for the members of the Board;

v. Review and endorse to the Board the Compliance Officer's recommendations in relation to violations of this Manual, the Code of Corporate Governance and such other circulars, rules and regulations issued in relation thereto;

vi. Recommend Committee membership appointments, including Committee chairmanships, to the Board for approval after receiving advice from the Chairman of the Board and CEO and with consideration of the desires of individual Board members;

vii. Recommend processes and mechanism for evaluating the performance of the Board, the Board Committees, and Management;

viii. Oversee the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;

ix. Ensures that the result of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

x. Review annually the prescribed Full Business Interest Disclosure of all incoming Directors and officers; and

xi. Review annually the Charters of the Board Committees for the purpose of recommending any needed change(s) to the Board;

xii. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;

xiii. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, the complexity of operations and business strategy, as well as its business and regulatory environments;

xiv. Establish a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the
corporation's culture and business strategy as well as the business environment in which it operates.

xv. Oversee the formulation of the compensation and retirement philosophy as well as study and evaluate the appropriate compensation, retention, and retirement policies and programs for the officers of the Company as appointed in accordance with the Company's By-Laws, as well as managers or executives with the rank of vice president and up;

xvi. Such other responsibilities as may be provided in the Nomination, Remuneration, and Governance Committee Charter.

**9.2 Audit & Risk Management Committee**

a. The Audit and Risk Management Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, should be independent directors. The Chairperson of the Audit and Risk Management Committee should not be the Chairperson of the Board or any other Committees. All of the members of the committee must have a relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance.

b. The Audit and Risk Management Committee shall have the following duties and responsibilities:

i. Assist the Board in the performance in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules, and regulations;

ii. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

iii. Performs oversight functions over the Company's internal and external auditors. It should ensure that internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;

iv. Review and approve the annual internal audit plan to support the attainment of the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;

v. Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers, and authority of the Internal Audit Department, the audit plan of the Internal Audit Department, as well as oversee the implementation of the IA Charter;

vi. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, the integrity of financial reporting, and the security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent the occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

vii. Oversee the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms

and conditions for outsourcing internal audit services, if applicable;

viii. Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

ix. Considers the appointment of an independent internal and independent external auditor, and the terms and conditions of their engagement and removal;

x. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

xi. Review the reports submitted by the internal and external auditors;

xii. Review the completeness, accuracy, and fairness of the quarterly, half-year, and annual financial statements before their submission to the Board or regulators with particular focus on the following matters;

a. Any change/s in accounting principles and practices
b. Major judgmental areas
c. Significant adjustments resulting from audit
d. Going concern assumptions
e. Compliance with accounting standards
f. Compliance with tax, legal, and regulatory requirements

xii. Coordinate, monitor, and facilitate compliance with laws, rules, and regulations;

xiv. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses.

xv. The Audit and Risk Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;

xvi. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. The Audit and Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

xvii. Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;

xviii. Elevate to international standards the accounting and auditing processes, practices, and methodologies; and

xix. Such other duties and responsibilities as may be provided in the Audit and Risk Management Committee Charter.

xx. The Audit and Risk Management Committee shall meet quarterly and as often as may be necessary.
xxi. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions (RPTs) are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa):

xxii. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees,

tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;

xxiii. In case of the absence of an RPT Committee:

a. Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs. The Committee takes into account, among other, the following:

1. The related party's relationship to the company and interest in the transaction;

2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
3. The benefits to the corporation of the proposed RPT;
4. The availability of other sources of comparable products or services; and
5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

b. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation of transactions with other related parties;

c. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

d. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;

e. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

f. Performs the functions of the Board Risk Oversight Committee, as provide under Recommendations 3.4 (SEC MC 24, Series of 2019), in the absence thereof.

g. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the Internal Audit (IA).

**Section 10.0 The Management**

The Management is represented by a Management Committee (Mancom) composed of corporate officers and executives, formed and headed by the CEO. All principle policies and directions governing the organization, management and operation of the Company as well as its subsidiaries, shall be formulated and implemented by this Committee, subject to the Board approval when required by existing laws. The Committee shall regularly report to the Board at its regular Board meeting, or during special meetings whenever necessary or requested by the Board, through the CEO, on all matters concerning the Company's operation as well as significant events or occurrences affecting the Company.

**Section 11.0 Duties and Responsibilities of the CEO**

The CEO shall be in charge of the management and administration of the business operations, affairs and properties of the Company. He shall ensure that all resolutions of the Board are carried into effect and see that the business and affairs of the Company are managed in a sound and prudent manner. He shall ensure the reliability and integrity of financial and operational information and effectiveness, as well as, the efficiency of operations.

The CEO shall report to the Board, from time to time, all matters within his knowledge in which the Company has material interest.

**Section 12.0 The Corporate Secretary and Assistant Corporate Secretary**

The Corporate Secretary and the Assistant Corporate Secretary are officers of the Company and are expected to observe the highest degree of professionalism, integrity, and diligence.

12.1 Qualifications of the Corporate Secretary and Assistant Corporate Secretary:

a. The Corporate Secretary and the Assistant Corporate Secretary shall be resident Filipino citizens of good moral character.

b. They shall have adequate legal, administrative, and interpersonal skills.

**12.2 Duties and responsibilities of the Corporate Secretary and the Assistant Corporate Secretary:**

a. Work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, Management, stockholders and other stakeholders.

b. Be fully informed and be part of scheduling the Board activities.

c. Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.

d. Schedule meetings at least for the current year and duly notify the Board before every meeting.

e. Advise directors on matters pertaining to their legal responsibilities and obligations and ensure that appropriate Board procedures are being followed and that applicable rules regulations are complied with.

f. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.

g. Attend all Board meetings and maintain record of the same.

h. Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

i. Report to the SEC matters involving the Company, which are required to be disclosed under applicable laws and regulations.

j. Safekeep and preserve the integrity of minutes and other official records of the Company.

k. Be loyal to the mission, vision, and objectives of the Company. Have a working knowledge of the operations of the Company.

l. Ensure that all Board procedures, rules and regulations are faithfully followed by its members.

**Section 13.0 Compliance Officer**

13.1 The Board shall appoint a Compliance Officer, who shall report to the Board must have at least the rank of a Vice President and is not a member of the Board.

The Compliance Officer shall perform the following duties:

a. Monitors compliance with the provisions and requirements of this Manual;

b. Ensures proper onboarding of new directors (orientation on the company's business, charter, articles of incorporation, and by-laws, among others);

c. Monitors, reviews, evaluates, and ensures the compliance by the corporation, its officers, and directors with the relevant laws, this Code, rules and regulations, and all governance issuances of regulatory agencies;

d. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

e. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;

f. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;

g. Collaborates with other departments withing the company to properly address compliance issues, which may be subject to investigation;

h. Identifies possible areas of compliance issues and works towards the resolution of the same;

i. Determines violation/s of this Manual and recommend action for violation thereof to be reviewed and approved by the Board;

j. Issues a certification every January 30th of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reason for any deviation from the same, if any;

k. Identifies, monitors and reports compliance risks;

l. Ensures the attendance of board members and key officers to relevant trainings; and

m. Performs such other duties and responsibilities as may be provided by the Board and SEC.

13.2 The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence related to his functions as such shall be addressed to said Officer.

**Section 14.0 External Auditor**

14.1 The Board, with the recommendation of the Audit and Risk Management Committee, shall appoint an external auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

14.2 The external auditor of the Company should not at the same time provide the services of an internal auditor.

14.3 The Company's external auditor should be rotated or the handling partner should be changed every five (5) years or earlier. The Board may however extend the duration of the handling partner beyond the five (5) year period if it deems fit and necessary.

14.4 The reason(s) for the resignation, dismissal or cessation from service of an external auditor and the date thereof shall be reported in the Company's annual and current reports. Said report should include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

14.5 If an external auditor believes that the statements made in the Company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

**Section 15.0 Internal Auditor**

15.1 The Company shall have in place an independent internal audit function which shall be performed by an Internal Audit or an internal audit organization, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

15.2 The Internal Auditor should certify that the conduct of internal audit activities is in accordance with the International Standards for Professional Practice of Internal Auditing.

15.3 The Internal Auditor shall functionally report directly to the Audit and Risk Management Committee.

15.4 The Internal Auditor should submit to the Audit and Risk Management Committee and Management an annual report on the internal audit department's activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Audit and Risk Management Committee.

**II. SUPPLY OF INFORMATION**

All directors should be provided with complete, adequate and timely information about the matters to be taken up in their meetings and which would enable them to discharge their duties.

a. Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

b. The directors, either individually or as a group, in the performance of their duties may seek independent professional advice within the guidelines set by the Board.

c. A full agenda and comprehensive Board papers are be circulated to all directors well in advance of each Board meeting.

d. Full Board minutes of each Board meeting are kept by the Corporate Secretary and are available for inspection by any director during office hours.

**III. DISCLOSURE AND TRANSPARENCY**

a. The Board shall commit to disclose material information dealings unless such disclosure will put the company at risk. It shall cause the filing of all required information for the interest of the stakeholders. All material information may include earnings results, acquisition or disposition of assets, board changes, related party transactions, shareholdings of directors, changes in ownership, remuneration (including stock options) of all

directors and senior management, corporate strategy, and off-balance sheet transactions.

b. All disclosed information may be released via the approved procedure for Company announcements as well as through the annual report. The Company shall cause the filing of all required information for the interest of the stakeholders.

**IV. ACCOUNTABILITY AND AUDIT**

a. The Board shall ensure that stockholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

b. Management should formulate the rules, procedures on internal controls, and financial operations for presentation to the Audit & Risk Management Committee in accordance with the following guidelines:

l. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;

II. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained;

III. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's financial reporting governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and

**IV. The Company should consistently comply with the financial reporting requirement of SEC.**

**V. INVESTORS' RIGHTS AND PROTECTION**

The Board shall commit to respect the following rights of the stakeholders:

**Section 1.0 Voting Right**

1.1 Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.

**Section 2.0 Pre-emptive Right**

Unless otherwise stated in the Articles of the Incorporation of the Revised Corporation Code of the Philippines, all stockholders shall enjoy the pre-emptive right to subscribe to all issues or disposition in proportion to their respective shareholdings.

**Section 3.0 Right of Inspection**

Any stockholder who desires to exercise his right to inspect corporate books and records of the Company must make a written request addressed to the Corporate Secretary, and stating the specific reason(s) or purpose(s) for the inspection. The exercise of such right may be denied if: (i) the requesting stockholder improperly used information obtained from prior examination; or, (ii) is not acting in good faith; or, (iii) there is a reasonable ground to safeguard the interests of the Company, such as when the subject of inspection contains confidential

or proprietary information or covered by a confidentiality or non-disclosure obligation which will be violated by the Company if inspection were allowed. In no case shall the stockholder be allowed to take corporate books and other records out of the principal office of the Company for the purpose of inspecting them. The Corporate Secretary may elevate the request for inspection for the information, approval, or other appropriate action by the Board

This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.

**Section 4.0 Right to Information**

Stockholders shall be provided, upon request, with periodic reports filed by the Company with the SEC (e.g., proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Company's shares, material transactions with the Company, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

**Section 5.0 Right to Information**

5.1 Stockholders shall have the right to receive declared dividends subject to the procedures prescribed by the Board.

5.2 The Company shall be compelled to declare dividends when its retained earnings exceed one hundred percent (100%) of its paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the Board; or

b. when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured;

c. when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

**Section 6.0 Appraisal Right**

The stockholders shall have appraisal right under any of the following circumstances:

a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any aspect superior to those of outstanding shares of any class, or of extending or reducing the term of corporate existence;

b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Company;

c. In case of merger or consolidation; and

d. Investment of funds in any other corporation or business of for a purpose other than the primary purpose for which the Company was organized.

**Section 7.0 Right to Transparent and Fair Conduct of Stockholders' Meeting**

The Board shall adopt appropriate measure to ensure that stockholders' meetings are conducted in a fair and transparent manner. The stockholders should be encouraged to personally attend such meetings, and if unable to do so, they should be advised ahead of time of their right to appoint a proxy on their behalf. Subject to the requirements of law, rules and regulations, the By-Laws of the Company and the rules approved by the Board, the validity of a proxy should be resolved in favor of the stockholder.

It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. The directors shall envisage the exercise of stockholders' voting rights and the solution of problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person.

**VI. COMPLIANCE AND MONITORING SYSTEM**

**Section 1.0 Communication and Training Process**

1.1 All company directors and executives are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
1.2 An adequate number of printed copies of this Manual must be reproduced and distributed to each department of the Company.

1.3 Funds will be allocated by the Company for the purpose of conducting an orientation program or workshop to operationalize this Manual.

1.4 A director shall, before his assumption of duty, be required to attend a seminar on corporate governance which shall be conducted by a recognized and reputable training provider.

**Section 2.0 Governance Rating System**

The Board shall develop a rating system to measure the performance of the Board and Management in accordance with the criteria provided in this Manual and other rules and regulations on good corporate governance.

**Section 3.0 Penalties for Non-Compliance with the Manual**

3.1 The Compliance Officer shall be specifically tasked with the responsibility of ensuring compliance with this Manual.

3.2 The Compliance Officer shall, after proper investigation, notice and hearing, determine and recommend to the Board, the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent repetition of the violation.

3.3 Other than the Compliance Officer, the Nomination, Remuneration, and Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

**VII. APPLICABILITY TO SUBSIDIARIES**

Subsidiaries of the Company are encouraged to adopt their own Manual of Corporate Governance.

**Significant Employees**

The Company considers the collective efforts of all its employees as instrumental to the success of the Company. Hence, all of its employees are significant.

**Family Relationships**

a) Engr. Edelyn Jane A. Salvame - She is the niece of spouses Raymond and Sally Ang.

b) Sally O. Ang - She is the wife of Raymond B. Ang and she is the Aunt by affinity of Engr. Edelyn Jane A. Salvame Salvame.

c) Raymond B. Ang - He is the husband of Sally O. Ang. He is the Uncle of Engr. Edelyn Jane A. Salvame in the mother Side.

**Involvement in Certain Legal Proceedings**

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

I. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive either at the time of the bankruptcy or within two (2) years prior to that time;

II. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign (excluding traffic violations and other minor offenses);

III. Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, or executive officer, in any type of business, securities, commodities, or banking activities; and

IV. Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

- **Qualification and Election of Directors**

Every director shall own at least one (1) share of the capital stock of the Company of which he is a director, which share shall stand in his name in the books of the Company. He must have all the qualifications and none of the disqualifications of a director. The following are the qualifications:
a. Possesses college education or the skills needed to effectively carry out his functions as director;
b. Possesses integrity/probity; and
c. Has strong adherence to legal and moral principles.
As much as possible, a director must have a practical understanding of business in general and of the business of the Company, in particular.

5.2 The director shall not engage in any competitive or antagonistic business or activities against KEGI (Company). The following are additional qualifications of a director, but are not limited to:

a. A director shall not be directly or indirectly interested as a stockholder in any other firm, company, or association which competes with KEGI;

b. A director shall not be the immediate member of the family of any stockholder in any other firm, company, or association which competes with KEGI;

c. A director shall not be an officer, agent, employee, attorney, or trustee in any other firm, company, or association which competes with KEGI; and

d. No person who is an attorney against KEGI in a lawsuit is eligible for service on the board

- **Independent Directors**

2.1 Independent Director means a person who, apart from his fees and shareholdings, is independent of Management and the controlling shareholder, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person who:

a. Is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

b. Is not, and has been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;

c. Does not own more that two percent (2%) of the shares of the company and/or its related companies or any of its substantial shareholders;

d. Is not related to any director, officer or substantial shareholder of the company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

e. Is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

f. Has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

g. Is not retained, either personally or through his firm or any similar entity, as a professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;

h. Has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and or through a firm of which he is a partner and/or a Company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;

i. Is not the chairman emeritus or an ex-officio director/officer or a member of the advisory board of the Company, or otherwise appointed in a capacity to assist the Board of the Company in the performance of its duties and responsibilities within the last two (2) years;

j. Is not a director (other than an independent director) of the Company who resigned or whose term ended within the last two (2) years;

k. Is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the

Exchange, associated person or salesman, and an authorized clerk of the broker or dealer;

l. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders;

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) subsidiaries; and (c) subsidiaries of its holding/parent company.

2.2 Independent directors should, as much as possible, be in attendance during board meetings to promote transparency. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement.
The Certifications of the Independent Directors are attached as **Exh. "D", "D-1", and "D-2".**

**Certain Relationships and Related Transactions**

**RELATED PARTY TRANSACTIONS POLICY**

The Board of Directors recognizes its overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with the SEC, SRC, applicable laws, and regulations to protect the interest of the Company's shareholders and all stakeholders.
The Senior Management also recognizes its responsibility in implementing the appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the company's policy and SEC's regulations, SRC, applicable laws, and regulations.

**1. Related Party Registry**

a. The Senior Management, through the Audit and Risk Management Committee, shall do quarterly reviews and updates of the Related Party Registry to capture organizational and structural changes in the Company and its Related Parties. The Related Party Registry must clearly contain the identified persons and companies that are considered as the Company's related parties.
b. The Related Party Registry shall be kept by the Compliance Officer who shall be responsible to produce the same to the Audit and Risk Management Committee upon request of the latter. Additionally, the Corporate Secretary shall also have an exact copy of the updated Related Party Registry for the record.

**2. Exempt Related Party Transactions**

Exempt RPTs are transactions of the Company with a Related Party, but are not material or significant, and only require reporting to the Audit and Risk Management Committee for ratification. Exempt RPTs need not undergo the RPT review process but shall nevertheless be reported to the Audit and Risk Management Committee for the purpose of monitoring. The following are exempt transactions:

a. Shared Services - The sharing of administrative services, including secretarial, legal, accounting, human resources, and staff training services, between the Company and a Related Party on a cost basis, where the cost of the services are reasonably identified and equitably allocated to the parties involved.

b. Dividends – Declaration and payment of dividends by the Company.

c. Compensation – payment of the Company to its employees and Management in the ordinary course of business, including compensation arrangements approved by the Nomination, Remuneration, and Corporate Governance Committee and the Board of Directors.

d. Employees' Benefits – is defined as the non-wage compensation provided to employees by an organization in

addition to their normal salaries or wages.

e. Joint Venture – Transactions between the Company and Joint Venture Company where both the Company and its Joint Venture Partner have approved the transaction.

f. Other transactions similar to any of the foregoing.

The Audit and Risk Management Committee may recommend amendments to the foregoing list of Exempt Transactions, subject to the approval of the Board.

**3. Prohibited Related Party Transactions**

The following RPTs shall not be allowed:

a. Loans or financial assistance to any Director.

b. Loans or financial assistance to any member of the Management Team, in the absence of any established policy and procedure duly approved by the Audit and Risk Management Committee and the Board.

**4. Material Related Party Transactions**

For the purpose of this Policy, the following shall be considered in determining the materiality of the RPTs:

a. Threshold amount - Any related party transaction/s, either individually or over a twelve (12)-month period, amounting to ten percent (10%) or higher of a company's total assets.

b. Nature of interest - A Director or a member of the Management Team is personally involved in the transaction, regardless of the contract value, provided it is not amongst those listed in the Exempt RPTs.

**5. Identification and prevention of potential or actual conflicts of interest which may arise out of or in connection with material RPTs**

The members of the Board, substantial shareholders, and Officers shall fully disclose to the Board of Directors all material facts related to the material RPTS as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Company. Such disclosure shall be made at the board meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.

Directors, substantial shareholders, and Officers with a personal interest in the transaction shall abstain from all discussions, approval, and management of such transaction or matter affecting the Company. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

**6. Guidelines to Ensure Arm Length's Terms**

All RPTs shall be entered into an arm's length basis and thus, accounted for at market prices normally charged to unaffiliated customers or parties for equivalent or similar goods or services.
In the review of the Material RPTs, the Audit and Risk Management Committee and the Board of Directors shall consider the following factors to ensure that no preferential treatment shall be given to Related Parties that are not extended to non-related parties under similar circumstances:
1.The terms of the transaction, including the proposed aggregate value of the transaction as to whether the terms of the transactions are no less favorable than those generally available to non-related parties under the same or similar circumstances.

2.The Related Party's relationship with the Company and the extent of the Related Party's interest in the transaction.

3.The purpose and timing of the transactions; and

4. Any material information of other factors which the Audit and Risk Management Committee may deem relevant, including but not limited to the purpose to the Company of the proposed RPTs and the availability of other sources of comparable products or services.

5. Before the execution of the Material RPT, the Board of Directors should appoint an external independent party to evaluate the fairness of the Material RPTs. An external independent party may include, but is not limited to, auditing/accounting firms and third-party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and stakeholders.

**7. Review of Related Party Transactions**

As stipulated in the Company's Code of Corporate Governance, under Section 9.2, the Audit and Risk Management Committee shall undertake the functions of the RPT Committee:

**9.2 Audit & Risk Management Committee**

xxi. Evaluates on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions (RPTs) are monitored, and the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);

xxii. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;

xxiii. In case of the absence of an RPT Committee:

a. Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:

1.The related party's relationship to the company and interest in the transaction;
2.The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
3.The benefits to the corporation of the proposed RPT;
4.The availability of other sources of comparable products or services; and
5.An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to

the terms generally available to an unrelated party under similar circumstances. The company should have an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

b. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

c. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related

party, as well as the total amount of exposures to all related parties;

d. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;

e. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

f. Performs the functions of the Board Risk Oversight Committee, as provided under Recommendations 3.4 (SEC MC 24, Series of 2019), in the absence thereof.

g. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the Internal Audit (IA).

**8. Approval of Material RPTs**

a. All material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the Independent Directors voting to approve the material RPT.
b. In case that a majority of the Independent Directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
c.For aggregate RPT transactions within a twelve (12) month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same Board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.
d. Directors with personal interests in the transaction should abstain from participating in discussion and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

**Item 6. Compensation of Directors and Executive Officers**

**MEMBERS OF THE BOARD OF DIRECTORS for 2025-2026 are the following:**

**Engr. Edelyn Jane A. Salvame**
Filipino
President/CEO, Chairman of the Board of Directors
Chairman- Management Committee
Member-Nomination, Remuneration and Corporate
Governance Committee

Education and Training:
BSCE (ETEEAP) University of Cebu
BSCE Mapua Institute of Technology
BSBA Major in Computer Applications De La Salle- College of St. Benilde

Professional Experience:
King Energy Generation Inc.- CEO/President
Ibaan Electric Corporation
Meter King Inc.
Esra Prime Corp.
Grandscape Homes Corp.
Maramag Mini Hydro Power Corporation - President
Eaglewood Heights OPC
Suburban Estate Properties OPC

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards

**Engr. Gilbert Rodriguez**
Filipino
Senior Vice President/COO
Member-Management Committee
Member-Board of Directors

Education and Training:
BSEE Cagayan de Oro College

Professional Experience:
King Energy Generation Inc.- Senior Vice President/COO
Maramag Mini Hydro Power Corporation
Asea Brown Boveri Inc.-
Graybar Marketing Electrical Engineer Project
Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Board

**Engr. Ariel J. Buragay**
Filipino
VP Operations
Member-Management Committee
Member-Board of Directors

Education and Training:
BSEE Cagayan de Oro College

Professional Experience:
King Energy Generation Inc. – Vice President Operation
Great Providence Wood Products Corporation
Asia Pacific Timber and Plywood Corporation
Sacramento Steel Corp.
Bisdac Development Corporation
Magsaysay Lines Incorporated Seafarer
Coca-Cola Bottlers Phils. Inc.
ECC Engineering Services

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards

**Jodette P. Ello, CPA**
Filipino,
VP Finance/Treasurer
Member- Nomination, Remuneration and
Corporate Governance Committee
Member- Management Committee
Member- Board of Directors

Education and Training
BSA Ateneo de Cagayan Xavier University
BSMA Ateneo de Cagayan Xavier University

Professional Experience:
King Energy Generation Inc.-Vice President Finance
Banco de Oro Unibank

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards

**Raymond B. Ang**
Filipino,
Member-Board of Directors

Education and Training:
BSC Major in Accounting Laguna College
Technical Course San Pablo City Technical Trade School

Professional Experience:
King Energy Generation Inc.
Ibaan Electric Corporation
Meter King Inc.

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards

**Sally O. Ang**
Filipino
Member- Board of Directors

Education and Training:
Office Management, Northern Mindanao Polytechnic School

Professional Experience:
King Energy Generation Inc.
Maramag Mini-Hydro Power Corp.
Ibaan Electric Corporation
Meter King Inc.

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards

**Milagros S. Castro, CPA**
Filipino
Member- Board of Directors
Member- Audit and Risk Management Committee

Education and Training
Certified Public Accountant Board Examination

Professional Experience:
Board of Director King Energy Generation Inc.
Chief Operating Officer Ibaan Electric Corporation
Consultancy work for various firms for accounting, finance, tax, payroll, business registration/de registration and other works
Consulting Philippines, Inc. Makati City
Pascual Laboratories Inc. Quezon City
Private Practice
Urban Bank Makati City, Head Bank Accounting Unit/Senior Manager

**Atty. Jasper P. Alon**

Filipino
Independent Director
Chairman Audit and Risk Management Committee

Education and Training:
Bachelor of Laws
Professional Education
Bachelor of Science in Business Economics

Professional Experience:
Alon & Partners Law Office Senior Partner/Litigator
Land Use Consultant/Compliance Function
Legal Counsel/Archilight Maya Agro Ventures
Legal Counsel/JOPCA Corporation
Professor/Xavier University Ateneo de Cagayan
Corporate Secretary/Oro Oriental Corporation
Professor/ Liceo de Cagayan University College of Law

**Atty. Alisa Trena R. Olano REA, REB, REC**
Filipino
Independent Director
Chairman-Nomination, Remuneration and Corporate Governance Committee
Member, Audit and Risk Management Committee

Education and Training:
Bachelor of Laws
Bachelor of Science in Management Accounting

Professional Experience:
Independent Director King Energy Generation Inc.
Branch Sole Proprietor/Owner Body Basics Nail Salon and Spa Franchise
Notary Public in the Province of Misamis Oriental
A.V. Pamatong Trading and Construction Co., Inc. Legal Counsel
Anacleto O. Rañises Trading and Realty Co., Inc. Property Administrator/Legal Counsel
LA4 Property Innovations, Inc. Corporate Secretary
4 ACES Realty Licensed Real Estate Broker
4 ACES Realty Real Estate Appraiser

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards

**RAMIL T. INZO, CCO**
Vice President Compliance
Compliance Officer
Member, Management Committee

Education and Training:
Master of Business Administration
Bachelor of Secondary Education
Electrical Technology

Professional Experience:
Vice President Compliance King Energy Generation Inc.
General Manager Diamond Streamworks Inc.
Production Supervisor Universal Robina Corporation
General Manager Universal Robina Corporation Employees Multi-Purpose Cooperative
Board of Director Oro Savings and Sharing Cooperative
Board Secretary Oro Savings and Sharing Cooperative
Council Treasurer Provincial Cooperative

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards
SEC Certified Compliance Officer's Training

**Atty. MARITES F. SANGUAL, CCO**
Legal Manager
Corporate Secretary

Education and Training:
Bachelor of Laws (LLB)
Bachelor of Science in Psychology

Professional Experience:
Corporate Secretary King Energy Generation Inc.
Legal Manager of King Energy Generation Inc.
Legal & Administrative Division Manager King Energy Generation Inc.
Corporate Counsel King Energy Generation Inc.
Legal Consultant
Attorney IV Provincial Assessor's Office of Misamis Oriental
Acting Provincial Legal Officer Provincial Legal Office of Misamis Oriental
Volunteer Lawyer Xavier University Center For Legal Assistance

Seminars:
Roles, Responsibilities and Liabilities of Board Directors (SEC Accredited)
Best Practices of Effective Boards
SEC Certified Compliance Officer's Training

**(a) Summary of Compensation of Executive Officers**

Information as to the aggregate compensation paid to KEGI's Chief Executive Officer and it's Vice Presidents, as well as other officers during the last two completed fiscal years, are as follows:

| Name of Officers and Principal Position | Year | Salary | Bonus | Other compensation |
|---|---|---|---|---|
| 1 **Engr. Edelyn Jane A. Salvame**<br>*President/Chief Executive Officer*<br>2 **Engr. Gilbert J. Rodriguez**<br>*Senior Vice President/Chief Operating Officer*<br>3 **Engr. Ariel J. Buragay**<br>*Vice President- Operations*<br>4 **Jodette P. Ello**<br>*Vice President- Finance*<br>5 **Ramil T. Inzo**<br>*Vice President- Compliance* | | | | |
| **All above named officers as a group** | **2025** | **5,563,750.00** | **432,500.00** | **586,137.82** |
| | 2024 | 5,341,250.00 | 422,500.00 | 835,488.79 |
| **All other officers as a group** | **2025** | **4,226,682.49** | **266,538.47** | **415,153.89** |
| | 2024 | 4,263,405.99 | 299,310.90 | 536,913.91 |

**(b) Compensation of Directors**

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2025 is as follows:

| Name of Director | Total Compensation Received as a Director |
|---|---|
| **Engr. Edelyn Jane A. Salvame**<br>*Chairman of the Board of Directors* | 130,000.00 |
| **Engr. Gilbert J. Rodriguez**<br>*Board of Director* | 70,000.00 |
| **Engr. Ariel J. Buragay**<br>*Board of Director* | 70,000.00 |
| **Jodette P. Ello, CPA**<br>*Board of Director* | 130,000.00 |
| **Raymond B. Ang**<br>*Board of Director* | 20,000.00 |
| **Sally O. Ang**<br>*Board of Director* | 20,000.00 |
| **Milagros S. Castro, CPA**<br>*Board of Director* | 160,000.00 |
| **Atty. Jasper P. Alon**<br>*Independent Director* | 180,000.00 |
| **Atty. Alisa Trena R. Olano**<br>*Independent Director* | 290,000.00 |
| **Ramil T. Inzo, ASP, CCO**<br>*Compliance Officer* | 115,000.00 |
| **Marites F. Sangual, CCO**<br>*Corporate Secretary* | 100,000.00 |

Other than payment of the directors' per diem as stated, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

**(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

There is no compensatory plan or arrangement between King Energy Generation Inc and any executive officer in case

of resignation or any other termination of employment or from a change in the management or control of King Energy Generation Inc.

**(d) Warrants and Options Outstanding To date**

King Energy Generation Inc has not granted any stock option to its directors or officers.

**Item 7. Independent Public Accountants**

The Company has engaged the services of Baconga, Patriana and Co./ Jeserio G. Lonon Jr. for the last 4 (four) fiscal years. For the upcoming fiscal year 2026-2027, the Company intends to engage with Baconga, Patriana and Co./Jeserio C. Lonon Jr. There were no disagreements with Baconga, Patriana and Co./ Jeserio G. Lonon Jr. on accounting and financial disclosure.

As a matter of policy, the Board Audit and Risk Management Committee monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors. Where appropriate, the Audit and Risk Management Committee may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

**Item 8. Compensation Plans**

Not Applicable.

**C.) ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

Not Applicable.

**Item 10. Modification or Exchange of Securities**

Not Applicable.

**Item 11. Financial and Other Information**

Not Applicable.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

Not Applicable.

**Item 13. Acquisition or Disposition of Property**

Not Applicable.

**Item 14. Restatement of Accounts**

Not Applicable.

## D. OTHER MATTERS

**Item 15. Action with Respect to Reports**

The minutes of the previous annual stockholders' meeting will be submitted for the stockholders' approval. During the last annual stockholders' meeting held on October 8, 2025, the stockholders approved or ratifies the; (i) minutes of the previous annual stockholders' meeting held on May 13, 2024; (ii) audited financial statements for the year ended December 31, 2024 (and noted the annual report of Management); (iii) acts of Management and the Board of Directors; (iv) election of Directors; and (v) appointment of External Auditor for the year 2025-2026.

Approval of the minutes will constitute a ratification of the accuracy and faithfulness of the minutes to the events that transpired during the meeting. This does not constitute a second approval of the same matters taken up at the stockholders' meeting, which have already been approved.

**Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

**Item 17. Amendment of Charter, Bylaws or Other Documents**

No proposed amendments of the Charter, By-Laws or other documents.

**Item 18. Other Proposed Action**

Not Applicable

**Item 19. Voting Procedures**

At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder may vote in person or by proxy executed in writing by the stockholder of his/her duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid for the meeting at which it has been presented to the Secretary.

All proxies must be in the hands of the Secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by their personal presence at the meeting.

Election of Board of Directors and Independent Directors will be made through manual voting. Each Stockholders will be given a paper ballot, upon which they will cast their votes. The election results will be verified by Internal Audit.

# I. BUSINESS AND GENERAL INFORMATION

**Business Development**

KEGI is a Philippine corporation registered as a stock corporation with primary purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including, but not limited to, electric cooperatives and private distribution utilities.

KEGI was incorporated and registered with the Securities and Exchange Commission (SEC) on December 6, 2010 and issued Company Registration No. CS201019693, primarily to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and private distribution utilities.

It started with six (6) incorporators, namely: (1) Edgardo L. Salvame; (2) Rosalie A. Salvame; (3) Zhuang Fei Long; (4) Raymond Ang; (5) Chong Man Ping; and (6) Sally Ang. Moreover, its principal place of business is at Misamis Oriental Power Plant (MOPP1), Brgy. San Luis, Gingoog City, Misamis Oriental. As of December 31, 2023, it operates and maintains seven (7) power plants located at Bukidnon, Misamis
Oriental, Misamis Occidental, Camiguin and Surigao del Sur.

King Energy Generation Inc is a power generation company that earns revenue through various means, depending on its operational model, location, and the regulatory environment in which it operates.

Below are the current ways that KEGI earn revenue:

1. Power Supply Agreements (PSAs): KEGI enter into long-term contracts known as PSAs with utilities or large consumers. These agreements stipulate a fixed price for electricity over a specified period, helping ensure a stable revenue stream.
2. Ancillary services (AS): KEGI earns additional revenue by providing ancillary services. This includes frequency regulation and voltage support.
3. Wholesale Electricity Spot Market (WESM): KEGI earns additional revenue by selling electricity through the WESM.

As a result, KEGI's main revenue stream is through bilateral contracts which offers a stable and predictable revenue stream, ensuring a direct relationship with the end consumers. Additionally, KEGI has ancillary services provides a dynamic revenue source tied to the real-time needs of the grid and through trading in the WESM.

**DISTRIBUTION METHODS OF THE PRODUCTS OR SERVICES**

King Energy Generation Inc. has 7 Bunker-C Fired Diesel Power Plant installed strategically around Mindanao. Five (5) of its power plants are connected in 69kv Transmission Line of NGCP and the two (2) Power plants are directly connected or embedded in the transmission system of the Electric Cooperative. The energy for grid connected is generally means that a power generation facility or an electricity consumer is directly connected to and operating in coordination with the NGCP's national transmission grid. This connection allows for the efficient distribution of electricity across the Philippines. the NGCP grid-connected facilities play a critical role in distributing electricity from where it is generated to where it is needed across the Philippines, serving residential, commercial, and industrial customers. However, for embedded generation facilities, it directly injected to the electric cooperative transmission system to supply the energy demand needed in its franchise area.

**STATUS OF ANY PUBLICLY-ANNOUNCED NEW PRODUCT OR SERVICE**

By 2030, King Energy Generation Inc. aims to spearhead the transition towards a sustainable energy future by commissioning and operationalizing solar and hydro power plants with a combined capacity of 50 MW. Currently, KEGI has several Hydroelectric Service Contracts (HSC) awarded by the Department of Energy (DOE). By focusing on both solar and hydro power plants, the company ensures a balanced energy portfolio, harnessing the benefits of both intermittent (solar) and base-load (hydro) renewable energy sources in parallel with its existing Diesel/Bunker Power Plants.

**KING ENERGY GENERATION INC.'S BUSINESS DEVELOPMENT BACKGROUND**

King Energy Generation Inc. is a constituted company and was incorporated on the 6th day of December 2010. It carries a mission to be a globally competitive power generation company that helps improve the lives of the people in the communities by providing power at a reasonable rate. Moreover, it also carries a vision for reliable and sustainable power generating company that will provide efficient power to client where it operates. Bringing the strong mission and vision, KEGI now has seven (7) Diesel Power Plants all over Mindanao that provides support to the energy requirement of its contracted Distribution Utility.

**KEGI's Bunker C-Fired Diesel Power Plants**

**1.)BPP1 (BUKIDNON POWER PLANT 1)**

PROJECT TYPE BUILD-OPERATEMAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 3.2 MW
DEPENDABLE CAPACITY 3.0 MW
LOCATION Quezon, Bukidnon
INAGURATION JULY 12, 2012

In the year 2010, there exists a Mindanao-wide power supply shortage. This has resulted in significant power interruptions and rotating brownouts of several hours, which has been felt within the franchise area of First Bukidnon Electric Cooperative Inc. (FIBECO). This situation is bound to worsen because of the mandate under Republic Act No. 9136 (Electric Power Industry Reform Act of 2001 or EPIRA) to privatize National Power Corporation's (NPC) generation assets and to prohibit the same from investing in new generation capacity. FIBECO faces an aggravated power supply deficiency situation. In the recent Contract for the Supply of Electric Energy (CSEE) between PSALM and FIBECO, PSALM committed a significantly reduced average contract energy. This new average contract energy is an alarming reduction in the power supplied by PSALM to FIBECO. Furthermore, PSALM has confirmed that it does not have sufficient capacity to supply FIBECO's additional power requirements. PSALM cannot supply beyond the
contracted energy and equivalent demand stipulated in the recent Contract for the Supply of Electric Energy (CSEE). The energy requirement within the franchise area of FIBECO is expected to significantly increase in the future. Though there is existing contracted demand from other suppliers, this is far from being sufficient to meet the energy requirements of FIBECO's customers. While the power shortage continues to press on the island of Mindanao, there exists a scarcity of electricity suppliers. Accordingly, FIBECO was impelled to execute a contract for power supply with a generator with a proven track record. In order to create a viable demand for additional energy, FIBECO decided to pool its requirements. The substantial demand for energy had KEGI convinced of the viability of constructing a power plant.

The commencement of a Power Supply Agreement between King Energy Generation Inc. (KEGI) and First Bukidnon Electric Cooperative (FIBECO) aforementioned parties lead to the establishment of One (1) unit Diesel-Bunker Generating Set with a capacity of 3.2 MW and Engine type of WARTSILA 9R32 with one step-up transformer having a capacity of 5/6.25 MVA, Wye-Delta Vector Group YNd11, 4.16kV/13.2kV.located at Brgy.

Puntian, Quezon Bukidnon.

The power facility includes a Disconnect Switch in 15kV and 17.5kV Power Circuit Breaker equipped with complete generator and transformer protection devices and controller PLC. Furthermore, the substation power transformer is directly connected to the 13.2kV distribution line of First Bukidnon Electric Cooperative (FIBECO) of C3 Feeder of 10MVA Camp -1 Substation located at Camp-1, Maramag, Bukidnon.

**2.) BPP2 (BUKIDNON POWER PLANT 2)**

PROJECT TYPE BUILD-OPERATEMAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 7.8 MW
DEPENDABLE CAPACITY 7.5 MW
LOCATION Maramag, Bukidnon
INAGURATION JULY 09, 2015

Due to the needs and desire of FIRST BUKIDNON ELECTRIC COOP (FIBECO) to contract 6 MW peaking capacity, King Energy Generation Inc. developed 1 x 7.841 MW BUKIDNON POWER PLANT 2 in Brgy. Dologon, Maramag Province of Bukidnon.

The commencement of a Power Supply Agreement between the parties lead to the establishment of 1-unit Diesel- Bunker Generating Set with a capacity of 7.841 MW and Engine type of 18v32 with one step-up transformer having a capacity of 10 MVA, WyeDelta Vector Group YNd11, 69 kV/4.16 kV. Constructed by KEGI's EPC contractors Lions Convergence Construction and Development, Metalite Builders Development Co. Inc., Torypine construction corporation. The plant was commissioned last July 2015 and commercial operation commence the following Month August 2015. The power facility includes a complete generator and transformer protection devices and controller PLC.

The construction of Bukidnon power plant 2 generates an opportunity to the residents of Brgy. Dologon, Maramag, from laborer, skilled workers and professionals residing in Maramag Province of Bukidnon.

**3.) MOPP1 (MISAMIS ORIENTAL POWER PLANT 1)**

PROJECT TYPE BUILD-OPERATE-MAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 10.6 MW
DEPENDABLE CAPACITY 10 MW
LOCATION Gingoog, Misamis Oriental
INAGURATION SEPTEMBER 02, 2013

Due to the needs and desire of MISAMIS ORIENTAL II ELECTRIC SERVICE COOPERATIVE 2 (MORESCO 2) to contract a total 9.4 MW peaking capacity, King Energy Generation Inc. developed 1 X 6.426 MW and 1 x 4.284 Misamis Oriental Power Plant 1 in Brgy. San Luis, Gingoog City, Province of Misamis Oriental.

The commencement of a Power Supply Agreement between the parties lead to the establishment of 2-unit Diesel- Bunker Generating Set with a capacity of 10.710 MW with Engine type of 18v32 and 12v32, with one step-up transformers having a capacity of 15 MVA, Wye-Delta Vector Group YNd1, 69 kV/13.8 kV. Constructed by KEGI's EPC contractors Metalite Builders Development Co. Inc. The plant was commissioned last September 2013 and commercial operation commence the following Month October
2013. The power facility includes a complete generator and transformer protection devices and controller PLC.

The construction of Misamis Oriental power plant 1 generates an opportunity to the residents of Brgy. San Luis,

Gingoog City, from laborer, skilled workers and professionals residing in Gingoog City, Province of Misamis Oriental.

**4.) MOPP2 (MISAMIS ORIENTAL POWER PLANT 2)**

PROJECT TYPE BUILD-OPERATE-MAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 15.6 MW
DEPENDABLE CAPACITY15.0 MW
LOCATION Panaon, Misamis Occidental
INAGURATION MAY 26, 2014

Due to the needs and desire of MISAMIS OCCIDENTAL I ELECTRIC COOPERATIVE (MOELCI I) and MISAMIS OCCIDENTAL II ELECTRIC COOPERATIVE (MOELCI II) to contract a total 13.76 MW peaking capacity, King Energy Generation Inc. developed 2 X 7.841 MW Misamis Occidental Power Plant 2 in Brgy. Map-an, Panaon Province of Misamis Occidental.

The commencement of a Power Supply Agreement between the parties lead to the establishment of 2-unit Diesel- Bunker Generating Set with a capacity of 15.682 MW and Engine type of 18v32 and with one step-up transformers having a capacity of 20 MVA, Wye-Delta Vector Group YNd1, 69 kV/13.8 kV. Constructed by KEGI's EPC contractors Lions Convergence Construction and Development, Metalite Builders Development Co. Inc., Torypine Construction Corp., Energy & Building Application Technologies corp, and Fibra De Vidrio Gasan Inc. The plant was commissioned last May 2014 and commercial
operation commence the following Month June 2014. The power facility includes a complete generator and transformer protection devices and controller PLC.

The construction of Misamis Occidental power plant 2 generates an opportunity to the residents of Brgy. Map-an, Panaon, from laborer, skilled workers and professionals residing in Panaon Province of Misamis Occidental.

**5.) MOPP3 (MISAMIS ORIENTAL POWER PLANT 3)**

PROJECT TYPE BUILD-OPERATE-MAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 16.2 MW
DEPENDABLE CAPACITY 15.5 MW
LOCATION Jimenez , Misamis Occidental
INAGURATION October 2, 2017

Due to the needs and desire of SULTAN KUDARAT ELECTRIC COOP. (SUKELCO), ZAMBOANGA DEL SUR ELECTRIC COOP 2 (ZAMSURECO 2) and LANAO DEL NORTE ELECTRIC COOP (LANECO) to contract a total 12 MW peaking capacity, King Energy Generation Inc. developed 1 x 7.841 MW and 1 x 8.398 MW Misamis Occidental Power Plant 3 in Brgy. San Isidro, Jimenez Province of Misamis Occidental.

The commencement of a Power Supply Agreement between the parties lead to the establishment of 2-unit Diesel- Bunker Generating Set with a capacity of 16.239 MW and Engine type of 18v32 with two step-up transformers having a capacity of 10 MVA, WyeDelta Vector Group YNd1, 69 kV/4.16 kV. Constructed by KEGI's EPC contractors Lions convergence construction and Development, Metalite Builders and Development co.Inc. Torypine construction corporation. the plant was commissioned last October 2018 and commercial operation commence the following Month November 2016. The power
facility includes a complete generator and transformer protection devices and controller PLC.

The construction of Misamis Occidental power plant 3 generates an opportunity to the residents of Brgy. San Isidro, Jimenez, from laborer, skilled workers and professionals residing in Jimenez Province of Misamis Occidental

**6.) SSPP (SURIGAO SUR POWER PLANT)**

PROJECT TYPE BUILD-OPERATE-MAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 7.8 MW
DEPENDABLE CAPACITY 7.5 MW
LOCATION Tandag, Surigao del Norte
INAGURATION July 21, 2014

Due to the needs and desire of SURIGAO DEL SUR ELECTRIC COOP. (SURSECO 2) to contract 5.41 MW peaking capacity, King Energy Generation Inc. developed 1 x 7.841 MW SURIGAO SUR POWER PLANT in Brgy. Telaje, Tandag Province of Surigao del Sur.

The commencement of a Power Supply Agreement between the parties lead to the establishment of 1-unit Diesel- Bunker Generating Set with a capacity of 7.841 MW and Engine type of 18v32 with one step-up transformer having a capacity of 10 MVA, WyeDelta Vector Group YNd1, 69 kV/4.16 kV. Constructed by KEGI's EPC contractors Lions Convergence and Construction and Development, Metalite Builders Development, Power Manufacturing & Marine Works, Inc., Fibra De Vidrio Gasan Inc. The plant was
commissioned last July 2014 and commercial operation commence the following year October 2015. The power facility includes a complete generator and transformer protection devices and controller PLC.

The construction of Surigao Sur power plant generates an opportunity to the residents of Brgy. Telaje, Tandag, from laborer, skilled workers and professionals residing in Tandag Province of Surigao del Sur.

**7.) CPP (CAMIGUIN POWER PLANT)**

PROJECT TYPE BUILD-OPERATE-MAINTAIN
TYPE OF PLANT Bunker C-Fired Diesel
RATED CAPACITY 4.4 MW
DEPENDABLE CAPACITY 4.0 MW
LOCATION Balbagon, Mambajao, Camiguin
INAGURATION November 12, 2015

Due to the needs and desire of Camiguin Electric Cooperative Inc. (CAMELCO to contract 4 MW peaking capacity, King Energy Generation Inc. developed 2 x 2.050 MW Camiguin Power Plant in Brgy. Balbagon, Camiguin Province.

The commencement of a Power Supply Agreement between the parties lead to the establishment of 2-unit Diesel- Bunker Generating Set with a capacity of 2.050 MW and Engine type of 6R32 with one step-up transformer having a capacity of 5 MVA, Delta-Wye Vector Group Dyn5, 13.8kV/13.2 kv. Constructed by KEGI's EPC contractors Lion's convergence construction and development, Torypine construction corporation. The plant was commissioned last May 2015 and commercial operation commence the following year March 2016.

The construction of Camiguin Power Plant generates an opportunity to the residents of Camiguin, from laborer, skilled workers and professionals residing in Camiguin.

The power facility includes a complete generator and transformer protection devices and controller PLC. Furthermore, the substation power transformer is connected to the 13.2 kV system of CAMELCO.

With the power supply agreements entered into by King Energy Generation Inc. and the different electric cooperatives from KEGI's various power plants. KEGI was able to generate revenue through capital recovery fees and operations and maintenance fees for a 10-year term contract.

For the past three (3) calendar years, 2021 to 2023, the company has earned a gross revenue from its seven (7) power plants of P P1,078,296,268, P1,045,512,292 and P779,621,152, respectively. The company's revenue is mainly from its bilateral contracts and in 2023, WESM Mindanao has started its commercial operation in which the company is a trading participant. KEGI is gearing towards putting up renewable sources of energy and is actively undertaking research and development projects and securing service contracts that would help in the company's sustainabilit

As of September 10, 2026, KEGI is owned by THIRTY FIVE (35) stockholders, As of September 18, 2025, the following are the current Board of Directors of KEGI, as follows:

(1) Engr. Edelyn Jane A. Salvame
(2) Engr. Gilbert J. Rodriguez
(3) Engr. Ariel J. Buragay
(4) Jodette P. Ello, CPA
(5) Milagros S. Castro, CPA
(6) Atty. Jasper P. Alon
(7) Atty. Alisa Trena R. Olano, REA, REB, REC
(8) Raymond B. Ang
(9) Sally O. Ang

## II. OPERATIONAL & FINANCIAL INFORMATION

### (1) Market Information

King Energy Generation Inc's common shares are not traded on PSE.

### (2) Holders

As of September 10, 2026 there are thirty-five (35) stockholders with 849,624 common shares (at P 100 par value). Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulative voting. There is no classification of voting securities.

The top twenty (20) shareholders as September 10, 2026, including name, no. of shares held, and percentage of total shares outstanding held by each, are as follows:

| SHAREHOLDER'S NAME | | NUMBER OF SHARES | %OF OWNERSHIP |
|---|---|---|---|
| 1 | Engr. Edelyn Jane A. Salvame | 7,433,000 | 28.209% |
| 2 | Rosalie A. Salvame | 6,375,000 | 24.194% |
| 3 | Zhuang Fei Long | 3,825,000 | 14.516% |
| 4 | Chong Man Ping | 3,825,000 | 14.516% |
| 5 | Raymond B. Ang | 2,547,000 | 9.666% |
| 6 | Sally O. Ang | 1,273,000 | 4.831% |
| 7 | Joy Chua Sy | 388,000 | 1.473% |
| 8 | Samuel Chu Lee/Jeannie Yap Lee | 201,647 | 0.765% |
| 9 | Jocelyn P. Indefenzo | 201,647 | 0.75% |
| 10 | Ahmad Reza Kazemi | 40,333 | 0.153% |
| 11 | Rosalinda A. Vergara | 30,000 | 0.114% |
| 12 | Edwin T. Vergara | 24,000 | 0.091% |
| 13 | Regina See Chua/Lolita T. Ong | 18,000 | 0.068% |
| 14 | John H. Bantog | 20,000 | 0.076% |
| 15 | Felix A. Santinor | 20,000 | 0.076% |
| 16 | Ma. Asuncion S. Magpantay | 20,000 | 0.076% |
| 17 | ESRA Prime Corp. | 20,000 | 0.076% |
| 18 | Lilia T. Chan | 10,000 | 0.038% |
| 19 | Teresita G. Ceniza | 10,000 | 0.038% |
| 20 | Remeflor D. Ceniza | 10,000 | 0.038% |

**(3) Dividends**

King Energy Generation Inc's dividend policy is to declare dividends to holders of its Common Shares as of a record date set by the Board of Directors. Dividends may be payable, at the discretion of the Board, in cash, property, or stock. The payment of dividends will depend upon the operating results, financial condition, capital expenditure plans and other relevant factors that KEGI Board of Directors and Management deemed relevant. The ability to declare dividends is subject to the requirements of applicable laws, rules and regulations; the availability of unrestricted retained earnings; and circumstances which restrict the payment of dividends including but not limited to the following:

(1) The level of our cash, gearing, debt profile and retained earnings;
(2) Our expected financial performance;
(3) Our projected levels of capital expenditure and other investment plans;
(4) Applicable legal, regulatory, licensing and operating requirements; and,
(5) Any circumstances which may affect or restrict our ability to pay dividends.

It should be noted that Company's Dividend Policy merely describes KEGI's present intention and shall not constitute legally binding statements or commitments in respect of the Company's future dividends and/or plans for the same. The Board reserves the right to review, amend, update and/or cancel the Company's Dividend Policy at any time at its sole discretion. The Dividend Policy is not a forecast or indication in any way of the Company's actual profitability or its ability to pay dividends in the future.

As of December 31, 2025, King Energy Generation Inc. has not declared any dividends yet.

**(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction**

King Energy Generation Inc. does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND FINANCIAL RESULTS OF OPERATIONS**

The summary of financial information is based on the Consolidated Financial Statements as of 31 December 2025 and 2024, and for the twelve-months period Ended 31 December 2025 and 2024, which were prepared in accordance with the Philippine Financial Reporting Standards (**"PFRS"**) and should be read in conjunction with the financial statements and notes contained in this report.

This discussion contains forward-looking statements and reflects the current views of the Company for future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements due to certain factors.

*Financial Highlights – For the period 31 December 2025, compared to 31 December 2024*

**Financial Results**

The Group posted consolidated net income/(loss) attributable to equity holders of the Parent Company amounting to (**P 15,881,671)** for 2025, compared to **P 4,016,636** in 2024.

The tables below summarize the **consolidated results of operations** of the Group for the periods ended **31 December 2025** and **2024**.

*Revenues*

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2025** | **2024** | **Amount** | % |
| | | *As Restated* | | |
| Sale of Power | 609,422,391 | 758,644,494 | (149,222,103) | (20%) |

The decline in r**evenue** from electricity sales is mainly due to the expiration of a power supply agreement for the Parent Company's Bukidnon Power Plant 2 (BPP2). Although the contract officially ended in 2025, its effects on revenue concluded on August 25, 2026.

*Cost and Expenses*

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2025** | **2024** | **Amount** | % |
| | | *As Restated* | | |
| Cost of Service | 550,601,528 | 600,334,563 | (49,733,035) | (8%) |
| Operating Expenses | 107,100,197 | 132,277,662 | (25,177,465) | (19%) |

The decline in sales directly affects the company's overall **cost of service**. This decrease reduces fuel consumption and operational and maintenance costs. Furthermore, it results in lower personnel and utility costs for the plant.

The notable reduction in **operating expenses** is primarily due to a decrease in repairs and maintenance, as well as a decline in other general and administrative expenses. This was a result of the company's efforts to cut costs in response to a decline in sales. However, the company experienced an increase in taxes and licenses because of the documentary stamp tax incurred from the issuance of 849,624 shares sold in relation to the IPO.

*Other Income and Expenses*

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2025** | **2024** | **Amount** | % |
| | | *As Restated* | | |

| | | | | |
|---|---|---|---|---|
| Interest and other Income | 17,300,942 | 1,105,159 | 16,195,783 | 1465% |
| Finance Cost | 12,623,398 | 16,258,048 | 3,634,650 | (22%) |

**Interest and Other Income** include the gains or losses from foreign exchange associated with foreign bank accounts, as well as interest income earned from bank deposits and WESM IEMOP transactions. A notable increase is observed due to income generated from charged-off receivables from the Parent Company.

**Finance costs** mainly refer to the interest expenses incurred on loans and borrowings.

**Financial Position**

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2025** | **2024** *As Restated* | **Amount** | % |
| **Current Assets** | | | | |
| Cash | 80,276,772 | 135,444,786 | (55,168,014) | (41%) |
| Trade and Other Receivables, net | 519,476,105 | 567,731,242 | (48,255,138) | (8%) |
| Inventories | 54,730,900 | 93,788,015 | (39,057,115) | (42%) |
| Prepayments and Other Current Assets | 317,719,114 | 199,060,762 | 118,658,352 | 60% |
| **Noncurrent Assets** | | | | |
| Generation Plant, Property and Equipment, net | 5,217,172,492 | 4,553,124,528 | 664,047,964 | 15% |
| Deferred Tax Asset | 50,460,313 | 16,239,809 | 34,220,504 | 211% |

There is a significant decrease in **cash** for the year 2025 due to the Parent Company's increased net cash outflows from investing activities and a decrease in net cash flows from operating activities. This occurs despite an increase in net cash inflows from financing activities for the year.

The reduction in **trade and other receivables** can be primarily attributed to prompt payments from customers and the nearing completion of ongoing projects, which has resulted in a decrease in advances provided to contractors and suppliers.

The **inventories** pertain to fuel that is carried at cost and used in the generation plant. There were no allowances for obsolescence or impairment recorded for either year. Furthermore, there were no unusual purchase commitments related to inventory during the year. Consequently, no losses are anticipated from any unconcealable commitments.

**Prepayments and Other Current Assets** is composed of Prepayments, which are mainly advance payments of taxes and insurance, Deferred Input Taxes, which pertain to VAT credits on purchases of capital goods acquired by the Group, Spare Parts and other supplies that are carried at cost. The increase in this account is attributed to the increase in the Parent Company's creditable input taxes from its purchases related to its ongoing construction of its El Nido Power Plant.

The increase in the **generation plant, property, and equipment** is primarily due to additions from the ongoing construction of the Parent Company's El Nido Power Plant.

The increase in **Deferred Tax Asset** is attributed to the Net Operating Loss Carryover (NOLCO), which reflects the tax benefit arising from allowable deductions exceeding gross income. Under Revenue Regulation 25-2020, the Group's net operating loss for the taxable year 2023 will be carried over as a deduction from gross income for the next three consecutive taxable years following the year of the loss

| | 2025 | 2024 *As Restated* | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Loans and Borrowings | 131,222,920 | 170,956,689 | (39,733,769) | (23%) |
| Trade and other payables | 358,083,871 | 410,111,514 | (52,027,641) | (13%) |
| **Noncurrent Liabilities** | | | | |
| Loans and Borrowings, *net of current portion* | 2,124,836,939 | 1,309,375,000 | 815,461,939 | 62% |
| Trade and other payables, *noncurrent* | 349,819,010 | 499,287,319 | (149,468,309) | (30%) |
| Retirement Liabilities | 8,336,108 | 4,322,336 | 4,013,772 | 93% |

**Loans and borrowings**, *current* decrease due to principal payments made during the period. There are no defaults in payments in either year.

**Trade and other payables** primarily consist of liabilities to suppliers directly related to operations. The decrease in the balance is mainly because of the payment of payables due within the period.

A significant increase in **loans and borrowings, net of current portion**, is due to a bank loan availment by the Parent Company for the construction of its generation plant in El Nido, Palawan.

**Trade and other payables, noncurrent**, are comprised of outstanding amounts owed to transmission utilities, retention amounts related to construction projects, and utility charges billable beyond the next financial year.

| | 2025 | 2024 *As Restated* | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Equity** | | | | |
| Capital Stock | 2,656,762,400 | 2,571,800,000 | 84,962,400 | 3% |
| Treasury Shares | (21,800,000) | (21,800,000) | - | - |
| Share Premium | 357,843,930 | 337,469,946 | 20,373,984 | 6% |
| Cumulative Remeasurement Gain/(Loss) | 3,410,397 | 2,248,526 | 1,161,871 | 52% |
| Non-controlling Interest | 44,158,518 | 38,574,538 | 5,583,980 | 14% |

The increase in **Capital Stock** and **Share Premium** is from the issuance of the 849,624 shares per 123.98 per share @ 100.00 par value.

The Group provides a non-contributory defined benefit pension plan for all eligible employees. Provisions for pension obligations are established for retirement benefits, which are contingent upon the employees' years of service and final compensation. The present values of the defined benefit obligation, along with the associated current service cost and past service cost, were measured employing the projected unit credit actuarial method. For the fiscal years ended December 31, 2025, and 2024, the **remeasurement gains or losses** recorded in other comprehensive income or loss amounted to P3,410,397and P2,941,403, respectively.

The **non-controlling interest** reflects a net income of P 5,583,980 and P1,474,095 for the year 2025 and 2024, respectively.

**Key Performance Indicators**

| Key Performance Indicator | Formula | 2025 | 2024 | Increase (Decrease) | |
|---|---|---|---|---|---|
| | | | | | % |
| **Current Ratio** | *Total Current Assets divided by Total Current Liabilities* | **1.99** | **1.71** | 0.27 | 16% |
| **Acid Test Ratio** | *Total Current Assets Less Materials and Supplies and Prepayments and Other Current Assets divided by Total Current Liabilities* | **1.23** | **1.21** | 0.02 | 1% |
| **Solvency Ratio** | *Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities* | **0.09** | **0.12** | (0.03) | (27%) |
| **Debt/Equity Ratio** | *Total Liabilities divided by Total Equity* | **0.91** | **0.75** | 0.15 | 21% |
| **Asset to Equity Ratio** | *Total Assets divided by Equity Attributable to Parent* | **1.93** | **1.77** | 0.16 | 9% |
| **Interest Coverage Ratio** | *Net Income plus Provision for Income Tax, Interest Expense, Depreciation, and Amortization less Interest Income divided by Interest Expense* | **21.84** | **18.82** | 3.02 | 16% |
| **Net Profit Margin Ratio** | *Net Income Attributable to Parent divided by Revenue* | **(0.03)** | **0.01** | (0.03) | (592%) |

An increase in the Group's **current and acid test ratios** indicates that it has enough assets to cover its short-term liabilities.

The increase in the **debt-to-equity and asset-equity ratio** from 2024 to 2025 is mainly due to the bank loan availment of the Parent's company to be used for the construction of its diesel power plant at El Nido, Palawan.

The decrease in **solvency ratio** is due to the significant decrease in the Group's total Comprehensive Income.

The increase in **the debt-to-equity ratio** is due to additional loans taken by the Parent Company for the year 2025.

The increase in **Interest coverage ratio** is due to the company's regular payment of its loan borrowings.

**Any Significant Elements of Income or Loss from Continuing Operations**

There are no significant elements of income or loss from continuing operations.

**Major Subsequent Events**

Recent geopolitical conflicts have caused increased volatility in international oil prices. Since the country relies heavily on imported petroleum products, sustained increases in global fuel prices may impact domestic fuel inflation, transportation costs, and the overall economic environment in which the Parent Company operates.

In response to global oil supply disruptions and resulting price instability, a national energy emergency was declared under Executive Order No. 110. Following this declaration, the Energy Regulatory Commission (ERC) announced the temporary suspension of operations for the Wholesale Electricity Spot Market (WESM) across the Luzon, Visayas, and Mindanao grids. This suspension took effect at 12:05 a.m. on March 26, 2026.

During this suspension period, the power system will operate under Special Operating Guidelines issued by the Department of Energy. A Modified Administered Pricing mechanism will be implemented to determine electricity prices based on technology-specific considerations and prevailing fuel costs.

The Parent Company participates in WESM as part of its power sales activities and is currently evaluating the implications of these developments. The financial impact of the suspension and the implementation of alternative pricing mechanisms has not yet been reasonably determined.

**Material Off-Balance Sheet Items**

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other people created during the reporting period.

**Material Commitments for Capital Expenditures**

As of December 31, 2025, there are no material commitments for capital expenditures other than the ongoing construction in progress of the power generation and distribution facility at El Nido Power Plant. Funding comes from loan borrowings from the bank and proceeds from the sale of IPO shares.

**Known Trends, Events, and Uncertainties which may have Material Impact on the Registrant**

The Securities and Exchange Commission approved the sale of the Corporation's 4,500,000 common shares to the public for P123.98 per share last November 13, 2024. The sale shall be by the terms and conditions of the Subscription Agreement and other definitive documents to be entered into by the parties.

Except as already discussed above and in the notes to the consolidated financial statements, the management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation

*Financial Highlights – For the period 31 December 2024, compared to 31 December 2023*

**Financial Results**

The Group posted consolidated net income attributable to equity holders of the Parent Company amounting to **P 4,016,636** for 2024, compared to **P 8,535,659** in 2023.

The tables below summarize the **consolidated results of operations** of the Group's revenues, costs, and expenses for the period ended **31 December 2024** and **2023**.

*Revenues*

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | % |
| | *As Restated* | *As Restated* | | |
| Sale of Power | 758,644,494 | 819,041,193 | (60,396,699) | (7%) |

The decrease in **revenue** from the sale of electricity is mainly due to the expiration of 2 power supply agreements of the Parent Company in the year 2024. The contract details are as follows: Misamis Occidental

Power Plant 2 (MOPP2) with contract ending May 2024, and Surigao Sur Power Plant (SSPP) with contract ending September 2024.

*Cost and Expenses*

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | % |
| | *As Restated* | *As Restated* | | |
| Cost of Service | 600,334,563 | 625,643,679 | (25,309,116) | (4%) |
| Operating Expenses | 132,277,662 | 141,803,322 | (9,525,660) | (7%) |

The decline in sales directly affects the company's overall **cost of service**. This decrease leads to a reduction in operational and maintenance costs. Furthermore, it results in lower personnel and utility costs for the plant.

The decrease in **operating expenses** is attributed to the impairment loss recognized in 2023. Additionally, the company has experienced a significant reduction in regulatory taxes, primarily due to decreased sales. This decline has directly impacted the Business Permit fees for the year. Furthermore, expenses related to security services have decreased as a result of the company's initiative to cut costs.

*Other Income and Expenses*

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | % |
| | *As Restated* | *As Restated* | | |
| Interest and other income | 1,105,159 | 95,958 | 1,009,201 | 1052% |
| Finance Cost | 16,258,048 | 39,673,779 | (23,415,731) | (59%) |
| Share in income/(loss) attributable to associates | - | (4,150,684) | 4,150,684 | (100%) |

**Interest and Other Income** includes gains or losses from foreign exchange related to foreign bank accounts, as well as interest earned from bank deposits. The significant increase in this category is primarily due to the Parent Company's transactions involving its foreign accounts, which resulted in fluctuations in foreign exchange gains and losses.

**Finance Cost**, mainly banks' interest expense. In 2024, these costs decreased due to the capitalization of interest paid on loan borrowings associated with the ongoing construction of the Company's El Nido Power Plant.

There is no longer any share in **income/ (loss) attributable to associates**, which has resulted in a significant decrease. As of December 31, 2024, the Company holds a controlling interest in Sulipat Hydro Power Corporation (SHPC) with 85% direct ownership, and in Calatngan Hydro Power Corporation (CHPC) with 80% direct ownership of shares. Additionally, the Company has a 42.70% direct ownership and a 37.30% indirect ownership in Maramag Mini Hydro Corporation (MMHPC). Since the Company's ownership of these three entities provides control over their operations and decision-making, they are required to be recognized as subsidiaries.

**Financial Position**

| | 2024 *As Restated* | 2023 *As Restated* | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash | 135,444,786 | 59,477,777 | 75,967,009 | 128% |
| Trade and Other Receivables, net | 567,731,242 | 515,941,518 | 51,789,725 | 10% |
| Inventories | 93,788,015 | 170,022,882 | (76,234,867) | (45%) |
| Prepayments and Other Current Assets | 199,060,762 | 74,480,843 | 124,579,919 | 167% |
| **Noncurrent Assets** | | | | |
| Generation Plant, Property and Equipment, net | 4,553,124,528 | 3,908,446,094 | 644,678,434 | 16% |
| Deferred Tax Asset | 16,239,809 | 18,933,213 | (2,693,404) | (14%) |
| Other noncurrent asset | 9,075,361 | 56,000 | 9,019,361 | 16106% |

A notable increase in **cash** for the year 2024 can be attributed to the Company's availment of a bank loan.

The increase in **receivables** is primarily attributed to an increase in advances to contractors and suppliers. These advances pertain specifically to down payments required under various purchase order agreements for El Nido Power Plant Project.

The **inventories** pertain to fuel that is carried at cost and used in the generation plant. There were no allowances for obsolescence or impairment recorded for either year. Furthermore, there were no unusual purchase commitments related to inventory during the year. Consequently, no losses are anticipated from any unconcealable commitments.

**Prepayments and Other Current Assets** is composed of Prepayments, which are mainly advance payments of taxes and insurance, Deferred Input Taxes, which pertain to VAT credits on purchases of capital goods acquired by the Group, Spare Parts and other supplies that are carried at cost. The increase in this account is mainly due to the significant increase in the purchase of Spare Parts to be used for repair and maintenance.

The change in the **generation plant, property, and equipment** is primarily due to the ongoing construction of the Company's generation plant in El Nido, Palawan.

The decrease in **Deferred Tax Asset** is attributed to the Net Operating Loss Carryover (NOLCO), which reflects the tax benefit arising from allowable deductions exceeding gross income. Under Revenue Regulation 25-2020, the Group's net operating loss for the taxable year 2023 will be carried over as a deduction from gross income for the next three consecutive taxable years following the year of the loss.

A noticeable increase in **non-current assets** is attributed to a deposit made by the Group for the purchase of a parcel of land.

| | 2024 *As Restated* | 2023 *As Restated* | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Loans and Borrowings | 170,956,689 | 241,827,397 | (70,870,708) | (29%) |
| Trade and other payables | 410,111,514 | 541,793,985 | (131,682,473) | (24%) |
| **Noncurrent Liabilities** | | | | |
| Loans and Borrowings, *net of current portion* | 1,309,375,000 | 380,030,761 | 929,344,239 | 245% |
| Trade and other payables, *noncurrent* | 499,287,319 | 406,394,351 | 92,892,968 | 23% |
| Retirement Liabilities | 4,322,336 | 6,457,322 | (2,134,986) | (33%) |

**Loans and borrowings** decrease due to principal payments made during the period. There are no defaults in payments in either year.

**Trade and other payables** primarily consist of liabilities to suppliers directly related to operations. The decrease in the balance is mainly because of the payment of payables due within the period.

A significant increase in **loans and borrowings, net of current portion**, is due to a bank loan taken by the Company for the construction of the generation plant in El Nido, Palawan.

**Trade and other payables, noncurrent**, are comprised of outstanding amounts owed to transmission utilities, retention amounts related to construction projects, and utility charges billable beyond the next financial year.

| | 2024 *As Restated* | 2023 *As Restated* | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Equity** | | | | |
| Capital Stock | 2,571,800,000 | 2,571,800,000 | - | - |
| Treasury Shares | (21,800,000) | (21,800,000) | - | - |
| Share Premium | 337,469,946 | 337,469,946 | - | - |
| Cumulative Remeasurement Gain/(Loss) | 2,248,526 | (692,877) | 2,941,403 | (425%) |
| Non-controlling Interest | 38,574,538 | 35,975,443 | 2,599,095 | 7% |

The Group provides a non-contributory defined benefit pension plan for all eligible employees. Provisions for pension obligations are established for retirement benefits, which are contingent upon the employees' years of service and final compensation. The present values of the defined benefit obligation, along with the associated current service cost and past service cost, were measured employing the projected unit credit actuarial method. For the fiscal years ended December 31, 2024, and 2023, the **remeasurement gains or losses** recorded in other comprehensive income or loss amounted to P2,941,403 and (P654,445), respectively.

The **non-controlling interest** reflects a net income of P1,474,095 for the year 2024, while a net loss of (P1,161,817) for the year 2023. Additionally, it includes an additional paid-in capital from one of its subsidiaries, Maramag Mini Hydro Corporation (MMHPC), amounting to P1,125,000

**Key Performance Indicators**

| Key Performance Indicator | Formula | 2024 | 2023 | Increase (Decrease) | |
|---|---|---|---|---|---|
| | | | | | % |
| **Current Ratio** | *Total Current Assets divided by Total Current Liabilities* | **1.71** | **1.05** | 0.67 | 64% |
| **Acid Test Ratio** | *Total Current Assets Less Materials and Supplies and Prepayments and Other Current Assets divided by Total Current Liabilities* | **1.21** | **0.73** | 0.48 | 65% |
| **Solvency Ratio** | *Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities* | **0.12** | **0.20** | (0.08) | (38%) |
| **Debt/Equity Ratio** | *Total Liabilities divided by Total Equity* | **0.75** | **0.50** | 0.26 | 51% |
| **Asset to Equity Ratio** | *Total Assets divided by Equity Attributable to Parent* | **1.77** | **1.51** | 0.26 | 17% |
| **Interest Coverage Ratio** | *Net Income plus Provision for Income Tax, Interest Expense, Depreciation, and Amortization less Interest Income divided by Interest Expense* | **18.82** | **9.01** | 9.81 | 109% |
| **Net Profit Margin Ratio** | *Net Income Attributable to Parent divided by Revenue* | **0.01** | **0.01** | - | - |

An increase in the Group's **current and acid test ratios** indicates that it has enough assets to cover its short-term liabilities.

The increase in the **debt-to-equity and asset-equity ratio** from 2023 to 2024 is mainly due to the bank loan availment of the Parent's company to be used for the construction of its diesel power plant at El Nido, Palawan.

The increase in **Interest coverage ratio** is due to the company's regular payment of its loan borrowings.

**Any Significant Elements of Income or Loss from Continuing Operations**

There are no significant elements of income or loss from continuing operations.

**Major Subsequent Events**

There are no major subsequent events that happened after December 31, 2024.

**Material Off-Balance Sheet Items**

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other people created during the reporting period.

**Material Commitments for Capital Expenditures**

As of December 31, 2024, there are no material commitments for capital expenditures other than the ongoing construction in progress of the power generation and distribution facility at El Nido Power Plant. Funding comes from loan borrowings from the bank and proceeds from the sale of IPO shares.

**Known Trends, Events, and Uncertainties which may have Material Impact on the Registrant**

The Securities and Exchange Commission approved the sale of the Corporation's 4,500,000 common shares to the public for P123.98 per share last November 13, 2024. The sale shall be by the terms and conditions of the Subscription Agreement and other definitive documents to be entered into by the parties. As of March 31, 2025, the said Subscription Agreement and other definitive documents to be entered into by the parties are still being finalized.

Except as already discussed above and in the notes to the consolidated financial statements, the management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

## FINANCIAL STATEMENTS

Attached as **Annexes "A" and "B"** are the (i) Audited Consolidated Financial Statements as of December 31, 2025, 2024 and 2023 and for the year ended December 31, 2025 and (ii) Audited Parent Company Financial Statements as of December 31, 2025, 2024 and 2023 and for the year ended December 31, 2025. Both include notes on the financial statements.

# INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

**Aggregate Fees Billed Table**

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Audit Fees | 1,001,250 | 1,465,972 | 1,354,934 | 1,300,000 | 1,202,000 |
| Audit Related Fees | - | - | - | - | - |
| Taxes | - | - | - | - | - |
| Other Fees | - | 87,550 | 43,755 | - | - |

Disclose aggregate fees (excluding out of pocket expenses and VAT) with the external auditor/audit firm and its network firms (as applicable) for the audit of the covered company's stand-alone and/or consolidated financial statements and the covered company's consolidated subsidiaries' financial statements on which the external auditor/audit firm expresses an opinion. These do not include fees for special-purpose audit or review of financial statements.

**External Audit Fees and Services**

*King Energy Generation, Inc. (Parent Company)*

| Year | Auditor | Audit Fees | Audit-related Fees | Tax Fees | Other Fees |
|---|---|---|---|---|---|

| Year | Auditor | Audit Fees | Audit-related Fees | Tax Fees | Other Fees |
|---|---|---|---|---|---|
| 2025 | Baconga, Patriana and Co. | 892,857 | - | - | - |
| 2024 | Baconga, Patriana and Co. | 1,312,500 | - | - | - |
| 2023 | Baconga, Patriana and Co. | 1,200,000 | - | - | - |
| 2022 | Baconga, Patriana and Co. | 1,300,000 | - | - | - |
| 2021 | Baconga, Patriana and Co. | 1,000,000 | - | - | - |
| 2021 | Cuenca, Ponferrada, Alag and Co. | 202,000 | - | - | - |

In 2021, Cuenca Ponferrada, Alag, and Co audited the company's Annual Financial Statements. However, the company had to enter a new Audit Engagement with Baconga, Patriana, and Co as part of its IPO requirements which its Audited Financial Statements should be certified by a SEC-accredited auditor. Consequently, Baconga, Patriana, and Co audited its Annual Financial Statements afterwards.

This is exclusive of VAT and out-of-pocket expenses incidental to the Independent Auditor's work.

*Maramag Mini Hydro Corporation (Subsidiary)*

| Year | Audit Fees | Audit-related Fees | Tax Fees | Other Fees |
|---|---|---|---|---|
| 2025 | 80,000 | - | - | - |
| 2024 | 112,400 | - | - | 87,550 |
| 2023 | 128,148 | - | - | 43,755 |

Maramag Mini Hydro Corporation, one of the Company's subsidiaries, has been audited by Cuenca, Ponferrada, Alag and Co. Amount is exclusive of VAT.

Other Fees refer to non-audit expenses related to the BOI report submitted by MMHPC.

*Calatngan Hydro Power Corporation (Subsidiary)*

| Year | Audit Fees | Audit-related Fees | Tax Fees | Other Fees |
|---|---|---|---|---|
| 2025 | 13,393 | - | - | - |
| 2024 | 20,536 | - | - | - |
| 2023 | 13,393 | - | - | - |

Calatngan Hydro Power Corporation, also one of the Company's subsidiaries, has been audited by Baconga, Patriana and Co. since 2023. The amount is exclusive of VAT and out-of-pocket expenses incidental to the Independent Auditor's work.

*Sulipat Hydro Power Corporation (Subsidiary)*

| Year | Audit Fees | Audit-related Fees | Tax Fees | Other Fees |
|---|---|---|---|---|
| 2025 | 15,000 | - | - | - |
| 2024 | 20,536 | - | - | - |
| 2023 | 13,393 | - | - | - |

Sulipat Hydro Power Corporation, one of the Company's subsidiaries, has been audited by Baconga, Patriana and Co. since 2023. The amount is exclusive of VAT and out-of-pocket expenses incidental to the Independent Auditor's work

Other Disclosure

**PLAN OF OPERATION**

The Company's El Nido Power Plant (ENPP), KEGI 20MW Battery Energy Storage System (BESS), and Quezon Power Plant (QPP) projects are not expected to involve significant product research and development activities during the next twelve (12) months.

ENPP is currently in the Commissioning Stage, with Commercial on Date (COD) targeted for October 2026, while BESS and QPP are in the Planning Stage, with Commercial on Date (COD) targeted for December 2026 and November 2026, respectively. Activities for the projects will primarily involve commissioning and testing for ENPP, and planning, engineering, procurement preparation, permitting, and other pre-development activities for BESS and QPP.

For ENPP, no major equipment purchases are anticipated, with expenditures primarily consisting of local purchases and other operational requirements. For BESS, the Company expects the procurement of major equipment will be done later after the planning and pre-development stage as it prioritizes permitting and technical studies, while QPP is expected to require necessary permits to start the Phase 1, the diesel power plant followed by its corresponding solar farm after Commercial on Date. Upon commencement of operations, each project is expected to require at least twenty-nine (29) personnel.

The Company expects to satisfy its cash requirements for the next twelve (12) months primarily through the proceeds from its Initial Public Offering (IPO). The proceeds are expected to fund the Company's planned capital expenditures, project planning and development activities, commissioning requirements, and other operating and general corporate requirements during the period.

During this period, the funding will support ENPP through its commissioning and commencement of commercial operations, while BESS and QPP will primarily be supported in their respective planning and development activities and preparations for subsequent construction and commercial operations.

KING ENERGY GENERATION INC.
A Power Generation Company
"Efficiently providing you the most reliable source of energy"

EXH. "A"

**GUIDELINES**
**2026 ANNUAL STOCKHOLDERS' MEETING**

## I. VALIDATION

### A. Individual and Joint Stockholders

1. Copy of valid government-issued ID with full name, signature, and photograph of stockholder/s
2. In case of proxy, proof of authority and copy of valid government-issued ID of the stockholder and proxy
3. Active e-mail address and mobile number

### B. Stockholders under Broker Accounts

1. A broker's certification on the stockholder's number of shareholdings and that prior written consent of the person in whose account the shares are held, was properly obtained
2. Copy of valid government-issued ID with full name, signature, and photograph of stockholder/s
3. Active e-mail address and mobile number

### C. Corporate Stockholders

1. Secretary's Certificate or duly signed and notarized Board Resolution
2. Copy of valid government-issued ID with full name, signature, and photograph of authorized representative
3. Active e-mail address and mobile number

Stockholders who wish to attend the ASM must be able to comply with registration requirements to be able to participate in the meeting. Unvalidated proxies shall not be honored.

Once registration requirements are validated and verified, the meeting link, access codes, materials, and other pertinent documents will be emailed to the stockholders at the official e- mail address provided. Registration requirements may be emailed at the following e-mail address/es: corpsec@Kingenergy.info

## II. REGISTRATION

Registration will open at 1:00 P.M.

1. Attendees are advised to log-in within the registration period. After the lapse of the registration period, no one will be allowed to enter the platform.
2. Use of Display Names
   Stockholders - (Full Name)
   Proxy - (Full Name, SH represented)
   Other attendees)
   - (Full Name, Company)
   Attendees will not be allowed to enter the platform if the attendee cannot be identified through
   his or her display name
3. Upon entering the platform, attendees (except directors) must log their names in the chat box. This will be the basis for the attendance/registration.

4. An official list of attendees will be prepared based on the validated registration requirements received by the Corporation and the actual number of attendees present during the meeting.
5. No person shall be allowed to participate in the meeting unless credentials were verified and validated.

## III. MEETING PROPER

1. **Manner of Voting (see also Voting Procedure in Information Statement)**

   Required vote: Unless otherwise required by law, on all matters to be taken up, majority vote of the outstanding capital stock present and represented at the meeting where a quorum is existing shall be sufficient After the nomination for the election of directors is closed and the nominees are equal to, or less than, the number of directors to be elected, the Chairman will instruct the Corporate Secretary to cast all votes in favor of the nominees and declare all nominees to be elected. If the nominees are more than the directors to be elected, the Chairman shall instruct all shareholders and proxies present to vote by cumulative voting, openly, unless secret ballot is preferred.

   Voting on motions shall be conducted viva voce or by show of hands, unless secret ballot is preferred. In case of a division of the house, the votes will be tallied and reported by the Corporate Secretary in the presence of the external auditor.

   Stockholders who will participate via remote communication or in absentia may submit their votes on agenda items requiring stockholders' action, as well as their concerns, through the following e-mail address ***corpsec@kingenergy.info*** prior to the adjournment of the meeting.

2. **Opportunity to raise comments, objections, or questions**

   At the end of every agenda item, the Chairman will ask the stockholders for comments or objections. A stockholder who wish to be acknowledged must click the "raise-hand" icon or make a request in the chat box so he/she can be properly acknowledged. Comments, objections, or questions may also be made in the chat box. If not acknowledged immediately, questions, concerns, or clarifications may be raised during the QCA portion before the end of the meeting.

3. **Orderliness**

   Attendees are requested to mute their microphones to prevent unnecessary noise from disrupting the event. All attendees are enjoined to observe proper conduct during the entire meeting.

KING ENERGY GENERATION INC.
A Power Generation Company
"Efficiently providing you the most reliable source of energy"

"EXH. B"

**ITEMS FOR RATIFICATION**
**ANNUAL STOCKHOLDERS' MEETING**
**October 8, 2026, 2:00 P.M**

## SUMMARY OF THE ACTS OF MANAGEMENT AND THE BOARD OF DIRECTORS

Below is a summary of the acts of Management and the Board of Directors for the year 2025, such as but not limited to:

- Authorizations related to the Corporation's Application for Renewal of Business Permit for its Bukidnon Power Plant 1 at Brgy. Puntian, Quezon, Bukidnon.
- Designation of the Email Address, Mobile Numbers, and Dedicated Liaison Officers with the Energy Regulatory Commission.
- Designation of Authorized Filer for Securities and Exchange Commission.
- Authorizations related to the Corporations Application Computerized Accounting System (CAS) Accreditation with the Bureau of Internal Revenue.
- Designation of the representative/s relative to the Corporation's Energy Virtual One-Stop Shop (EVOSS) Account.
- Designation of the representative/s in the corporation's application for mothballing of the Misamis Oriental Power Plant 1 with the Department of Energy.
- Appointment of Engr. Edelyn Jane A. Salvame as signatory in the reactivation of the bank accounts of the corporation with BDO.
- Authorization to transact with the BDO Unibank, Inc.
- Designation to execute contracts with Ansaldo Logistics Incorporated for Transportation and Logistics Services.
- Authorization to designate Engr. Edelyn Jane A. Salvame as Authorized Representative for Metrobank.
- Authority to change annual stockholders' meeting from March 11 to October 8.
- Designation of its compliance officer with the Securities and Exchange Commission.
- Updating of authorized signatories in all BDO Lapasan Bank Account/s of the Corporation.
- Appointment of contact persons for all WESM communications.
- Authorization for IEMOP to Directly Remit WESM Receivables to the Corporation's BDO BankAccount.

- Designation of the representative/s in the corporation's application for mothballing of the Misamis Oriental Power Plant 1 with the Department of Energy.
- Approval of the 2025 Audited Financial Statements. Approval of the 2025 Consolidated Audited Financial Statements.
- Designation of authorized representatives with the Bureau of Internal Revenue transactions.
- Approval of the 2025 Interim Consolidated Financial Statements.
- Authority to transact with the BDO Unibank, Inc.
- Approval to develop, own and operate the company's Point-to-Point and Solar Power Plant to the substation of PALECO.
- Authorizations related to the EVOSS applications for its El Nido Power Plant.
- Authority in the creation of the Corporation's Personal Property Security Registry (PPSR) with the Land Registration Authority.
- Appointment of authorized representative/s relative to the company's insurance claim.
- Authority of the Legal Counsel to file the Point-to-Point application.
- Designation of authorized representative/s in the execution of Memorandum of Agreement with the National Commission on Indigenous People (NCIP).
- Authority of the signatories/s in its application for registration with the Board of Investment.
- Authority of the signatories/s in its application of Business Permit.
- Designation of authorized representative/s in the execution of Battery Energy Storage System(BESS) Connect Agreement with the National Grid Corporation of the Philippines.
- Designation of authorized representative/s in the corporation's renewal application for credit line of its vehicle loan with the Banco de Oro.
- Authority to sign in the corporation's bid proposal.
- Affirmation of Authority in the execution of a Contract to Sell.
- Authority to transact with the BDO Unibank, Inc. for the obtainment of loan facilities and availment of banking products and services.
- Acceptance of corporation's acronyms and/or short names.
- Authority to execute and sign an agreement with the National Power Corporation.
- Authority of the corporation to act as 3rd party assignor, pledgor, mortgagor for credit accommodations.
- Authority to sign in the execution of a Deed of Absolute Sale for the purchase of a Parcel of Land.

- Creation of Personal Property Security Registry (PPSR) as administrator of the PPSR account.

- Authority of the Corporation to act as 3rd party assignor, pledgor, mortgagor for credit accommodations.

- Designation of Authorized Representative/s in the execution of a Contract of Electric Service.

- Appointment of Engr. Edelyn Jane A. Salvame as the Corporation's Chairman of the Board of Directors as well as President/Chief Executive Officer.

- Appointment of Jodette P. Ello, CPA as the Corporation's Treasurer.

- Appointment of Ramil T. Inzo, ASP, CCO as the Corporation's Compliance Officer.

- Appointment of Atty. Marites F. Sangual, CCO as the Corporation's Corporate Secretary.

- Appointment of Baconga, Patriana & Co./Jeserio G. Lonon, Jr. as the Corporation's External Auditors for the year 2025 to 2026.

- Authority to file the General Information Sheet 2026.

- Appointment of Management Committee's member for the year 2025-2026.

- Appointment of Audit & Risk Management Committee's member for the year 2025-2026.

- Appointment of Nomination, Renumeration and Corporate Governance Committee's member for the year 2025-2026.

- Appointment of Atty. Alisa Trena R. Olano, REA, REB, REC as the Lead Independent Director.

- Designation of authorized representative/s in the execution of a Phase-In Phase-Out (PIPO) Agreement.

- Designation of the Corporation's Regulatory Compliance Officer and Deputy Regulatory Compliance Officer.

- Authority of Ronde B. Elbina, MBA to claim and receive the Original Certificate of Compliance from the Energy Regulatory Commission.

- Conduct of Monthly meeting of the Management Committee, Audit and Risk Management Committee and Nomination, Renumeration, and Corporate Governance Committee.

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KEGI Bldg, Purok 10 Tablon, Cagayan De Oro City
Cellular No.: 0917-714-0584
Telephone No.: (088) 857-6368
Email: kegi@kingenergy.info
Website: www.kingenergy.info

# CERTIFICATE OF NOMINATION OF INDEPENDENT DIRECTOR

**TO ALL WHOM THESE PRESENTS MAY CONCERN:**

I/We, the undersigned stockholder/s of KING ENERGY GENERATION INC. (the "Corporation"), hereby nominate the following individual as a candidate for election as an Independent Director of the Corporation at its Annual/Special Meeting of Stockholders to be held on October 8, 2026 at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City

| | |
|---|---|
| **NAME OF NOMINEE** | ATTY. ALISA TRENA R. OLANO, REA, REB, REC |
| **ADDRESS** | 1511 SAN ISIDRO STREET, STA. CECILIA VILLAGE P1, GUSA |
| **NATIONALITY** | FILIPINO |
| **OCCUPATION/PROFESSION** | LAWYER |

The undersigned hereby certifies that the nominee has been informed of this nomination and has agreed to be nominated for election as an Independent Director of the Corporation.

The nominee represents and undertakes that, to the best of his/her knowledge and belief, he/she possesses the qualifications and none of the disqualifications applicable to an Independent Director under the Revised Corporation Code of the Philippines, the Securities Regulation Code and its Implementing Rules and Regulations, and the applicable rules and regulations of the Securities and Exchange Commission (SEC).

The nominee further undertakes to comply with all applicable requirements, qualifications, and responsibilities of an Independent Director and, if elected, to perform his/her duties independently and in accordance with applicable laws, rules, regulations, and the interests of the Corporation and its stockholders.

This Certificate is executed to formally document the nomination and acceptance of the above-named individual as a candidate for Independent Director of the Corporation.

IN WITNESS WHEREOF, I/We have hereunto set my/our hand/s this ____ day of AUG 17 2026 2026 at Cagayan de Oro City, Philippines.

**NOMINATING STOCKHOLDER:**

Name: REMEFLOR D. CENIZA
Stockholder
Number of Shares Held: 10,000

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Cellular No.: 0917-714-0584
Telephone No.: (088) 857-6368
Email: kegi@kingenergy.info
Website: www.kingenergy.info

## ACCEPTANCE AND CONFORMITY OF NOMINEE

I hereby accept the foregoing nomination and confirm my willingness to be nominated and, if elected, to serve as an Independent Director of KING ENERGY GENERATION INC.

**Atty. Jasper P. Alon**
Name of Nominee
Nominee for Independent Director
Date: 08/17/2026

**SIGNED IN THE PRESENCE OF:**

Aileen B. Andres

Bernilyn Tumbalang

## ATTACHMENT – NOMINATING STOCKHOLDERS

If more than one stockholder is participating in the nomination, the following may be used:

| Nominating Stockholder | No. of Shares Held | Signature |
|---|---|---|
| | | |
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Email: kegi@kingenergy.info
Website: www.kingenergy.info

# CERTIFICATE OF NOMINATION OF INDEPENDENT DIRECTOR

**TO ALL WHOM THESE PRESENTS MAY CONCERN:**

I/We, the undersigned stockholder/s of KING ENERGY GENERATION INC. (the "Corporation"), hereby nominate the following individual as a candidate for election as an Independent Director of the Corporation at its Annual/Special Meeting of Stockholders to be held on October 8, 2026 at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City

| | |
|---|---|
| **NAME OF NOMINEE** | ATTY. JASPER P. ALON |
| **ADDRESS** | GOLDEN GLOW VILLAGE, CAGAYAN DE ORO CITY |
| **NATIONALITY** | FILIPINO |
| **OCCUPATION/PROFESSION** | LAWYER |

The undersigned hereby certifies that the nominee has been informed of this nomination and has agreed to be nominated for election as an Independent Director of the Corporation.

The nominee represents and undertakes that, to the best of his/her knowledge and belief, he/she possesses the qualifications and none of the disqualifications applicable to an Independent Director under the Revised Corporation Code of the Philippines, the Securities Regulation Code and its Implementing Rules and Regulations, and the applicable rules and regulations of the Securities and Exchange Commission (SEC).

The nominee further undertakes to comply with all applicable requirements, qualifications, and responsibilities of an Independent Director and, if elected, to perform his/her duties independently and in accordance with applicable laws, rules, regulations, and the interests of the Corporation and its stockholders.

This Certificate is executed to formally document the nomination and acceptance of the above-named individual as a candidate for Independent Director of the Corporation.

IN WITNESS WHEREOF, I/We have hereunto set my/our hand/s this ____ day of AUG 17 2026 2026 at Cagayan de Oro City, Philippines.

**NOMINATING STOCKHOLDER:**

Name: JOEY J. OLAER
Stockholder
Number of Shares Held: 5,000

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Telephone No.: (088) 857-6368
Email: kegi@kingenergy.info
Website: www.kingenergy.info

## ACCEPTANCE AND CONFORMITY OF NOMINEE

I hereby accept the foregoing nomination and confirm my willingness to be nominated and, if elected, to serve as an Independent Director of KING ENERGY GENERATION INC.

**Atty. Alisa Trena R. Olano, REA, REB, REC**
Name of Nominee
Nominee for Independent Director
Date: 08/17/2026

**SIGNED IN THE PRESENCE OF:**

Aitene H. Andres

Bernilyn Tumbalang

## ATTACHMENT – NOMINATING STOCKHOLDERS

If more than one stockholder is participating in the nomination, the following may be used:

| Nominating Stockholder | No. of Shares Held | Signature |
|---|---|---|
| | | |
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| | | |

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Telephone No.: (088) 857-6368
Email: kegi@kingenergy.info
Website: www.kingenergy.info

Republic of the Philippines)
City of Cagayan de Oro )S.S.
x----------x

# CERTIFICATION

**I, ATTY. MARITES F. SANGUAL, CCO,** of legal age, Filipino, with office address at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City, being the duly elected Corporate Secretary of KING ENERGY GENERATION INC. (the "Company"), a corporation organized and existing under Philippine laws with principal office at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City, under oath, state that:

1. On behalf of the Company, I, with the Compliance Officer Ramil T. Inzo, CCO, and KEGI team prepared the SEC I-Form 20-ISA or Definitive Information Statement Reports dated September 24, 2026;

2. I have read and understood its content, which are true and correct, of my own personal knowledge and/or based on true records;

3. The Company will comply with the requirements set forth in the SEC Noticed dated 24 June 2020 for complete and official submission of reports and/or documents through electronic mail; and

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

**IN WITNESS WHEREOF**, I have hereunto signed this Certification this 24 SEP 2026, at Cagayan de Oro City, Philippines. Affiant further waives receipt of an e-copy of this Certification to be notarized by the undersigned Notary Public.

**ATTY. MARITES F. SANGUAL, CCO**
Corporate Secretary

**SUBSCRIBED AND SWORN TO** before me on this 24 SEP 2026 at Cagayan de Oro City, Philippines, by affiant having exhibited to me her UMID ID No. CRN-021-1369-5449-9, as her competent evidence of identity.

Doc. No. 255;
Page No. 51;
Book No. 10;
Series of 2026.

ATTY. BEVERLY B. BRAÑA
Notary Public for Cagayan de Oro City
El Salvador City to Binuangan, Mis. Or.
NC-2026-99 Until Dec. 31, 2027
Roll of Attorneys No. 63084
TIN No. 472-589-16[illegible]
IBP No. 557926 (11/07/202[illegible]
PTR No. 4704377B (11/24/[illegible]
MCLE Compliance No. VIII-0010253 [illegible]28

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Email: kegi@kingenergy.info
Website: www.kingenergy.info

REPUBLIC OF THE PHILIPPINES)
CITY OF CAGAYAN DE ORO ) S.S

## CERTIFICATION

I, **ATTY, MARITES F. SANGUAL, CCO**, Filipino, of legal age, with office address at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City, being the duly elected Corporate Secretary of **KING ENERGY GENERATION INC.** (the "**Company**"), a corporation organized and existing under Philippine laws with principal office at KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City, hereby certify and state that, to the best of my knowledge and record, no member of the Board of Directors or officers of the Company since the beginning of the fiscal year is employed by and/or connected with the Philippines Government, including government-owned and controlled corporations.

I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission in connection with the filing by the Company of the Preliminary Information Statement, pursuant to Section 20 of the Securities Regulations Code, for the annual stockholders' meeting of the Company to be held on October 08, 2026, and to attest to the truth of the foregoing.

**IN WITNESS WHEREOF**, I have hereunto signed this Certification this 01 OCT 2026 at Cagayan de Oro City, Philippines.

**ATTY. MARITES F. SANGUAL, CCO**
*Corporate Secretary*

**SUBSCRIBED AND SWORN TO** before me on this 01 OCT 2026 day of _____ at Cagayan de Oro City, Philippines by affiant who personally appeared before me and exhibited to me her competent evidence of identity consisting of UMID ID No. CRN-021-1369-5449-8 issued at Cagayan de Oro City.

Doc. No. 287;
Page No. 58;
Book No. 10;
Series of 2026.

ATTY. BEVERLY B. BRAÑA
Notary Public for Cagayan de Oro City
El Salvador City to Binuangan, Mis. Or.
NC-2026-99 Until Dec. 31, 2027
Roll of Attorneys No. 89084
TIN No. 472-589-182
IBP No. 557926 (11/07/2025) Mis. Or.
PTR No. 4704377B (11/24/2025) Mis. Or.
MCLE Compliance No. VIII-0010283 until 4/14/2028

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, JASPER P. ALON, Filipino, of legal age and a resident of Golden Glow Village, Carmen, Cagayan de Oro City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of KING ENERGY GENERATION INC. and have been its independent director since 2024 .

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

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Gaabucayan and Partners | Associate/Litigation | May 2023- June 2024 |
| Alon & Partners Law Office | Senior Partner/Litigation | May 2024-Present |
| GAMA Foods Corporation | Lan Use Consultant/ Legal Compliance | August 2023-Present |
| Archilight Maya Agro Ventures Corporation | Legal Counsel | May 2-23- Present |
| JOPCA Corporation | Legal Counsel | February 2023-Present |
| Xavier University Ateneo de Cagayan | Professor | November 2022-SY 2024 |
| Oro Oriental Oil Corporation | Corporate Secretary | March 2022-Present |
| Liceo de Cagayan University-College of Law | Professor | June 2022-SY 2024 |
| UKC Builders Inc | Legal Counsel | 2025- Present |
| Cebu Landmasters Inc | Legal Consultant | 2026-Present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of King Energy Generation Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

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

| NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|---|---|---|

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

| OFFENSE CHARGED/INVESTIGATED | TRIBUNAL OR AGENCY INVOLVED | STATUS |
|---|---|---|
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6. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from the (head of the agency/department) to be an independent director in _____, pursuant to **Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.**

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

8. I shall inform the Corporate Secretary of _____ of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of SEP 14 2026, at Cagayan de Oro City.

ATTY. JASPER P ALON
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of SEP 14 2026 at Cagayan de Oro City, affiant personally appeared before me and exhibited to me his/her _____ issued at _____ on _____.

Doc. No. 157;
Page No. 31;
Book No. 5;
Series of 2026;

ATTY. LORENZO RAFAEL P. MANGAD
Notary Public
NC 2025-110 until Dec. 31, 2026
Roll of Attorneys No. 86332
IBP No. 444570037 (12/20/2025) Mis. Or.
PTR No. 4707018 (01/05/2026) Mis. Or.
MCLE Compliance No. VIII - 0010230
TIN No. 327-430-509

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ATTY. ALISA TRENA R. OLANO, REA, REB, REC,** Filipino, of legal age, and a resident of 1511 San Isidro Street, Sta. Cecilia Village P1, Gusa, Cagayan de Oro City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **King Energy Generation Inc.** and have been its independent director since 2023.

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

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| King Energy Generation Inc. | Independent Director | 2023- present |
| Body Basics Nail Studio and Spa Franchisee and operator of Nailandia Nail Studio and Body Spa SM CDO Downtown Premier Branch | Sole Proprietor/Owner | February 2017- May 2022 |
| Notary Public in the Province of Misamis Oriental | | June 2010- December 2011 |
| A.V. Pamatong Trading and Construction Co., Inc. | Legal Counsel | 2010- present |
| Private Enterprise Corporation | Legal Counsel | 2010-present |
| Anacleto O. Rañises Trading & Realty Co., Inc. | Legal Counsel | 2010- present |
| Rotary Club of Cagayan de Oro Premier | President | 2025- 2026 |
| Integrated Bar of the Philippines (IBP) Mis. Or. | Member | 2010- present |
| Junior Chamber International-Macajalar 24K Chapter | Member | Dec. 2011- 2015 |
| Philippine Institute of Real Estate Service Practitioners (PhilRES), Inc. | Member | Dec. 5, 2011- present |
| Institute of Professional Real Estate Education, Inc. (IPREE) | Member/Lecturer | August 8, 2013-present |
| IPREA- Northern Mindanao Association of Real Estate Appraisers, Inc. (NORMINAREA) | Member | June 9, 2022- present |
| Philippine Society of Licensed Real Estate Appraisers Inc. (PhisLREA, Inc.) | Member | 2025 |
| Real Estate Consultants Elite, Inc. (RECE) | Board Member | 2025 |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of King Energy Generation Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|---|---|---|
| | | |
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5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

| OFFENSE CHARGED/INVESTIGATED | TRIBUNAL OR AGENCY INVOLVED | STATUS |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

6. For those in government service/affiliated with a government agency or GOCC) I have the required permission from the (head of the agency/department) to be an independent director in _____, pursuant to **Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.**

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

8. I shall inform the Corporate Secretary of King Energy Generation Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 14 SEP 2026 at Cagayan de Oro City, Philippines.

**ALISA TRENA R. OLANO**
Affiant

SUBSCRIBED AND SWORN to before me this 14 SEP 2026 at Cagayan de Oro City, affiant personally appeared before me and exhibited to me her UMID ID No. CRN-0111-0067065-6.

Doc. No. 182;
Page No. 37;
Book No. 10;
Series of 2026;

ATTY. BEVERLY B. BRAÑA
Notary Public for Cagayan de Oro City
El Salvador City to Binuangan, Mis. Or.
NC-2026-09 Until Dec. 31, 2027
Roll of Attorneys No. 89984
TIN No. 472-589-182
IBP No. 557826 (11/07/2025) Mis. Or.
PTR No. 4704373B (11/24/2025) Mis. Or.
MCLE Compliance No. VIII-0010283 until 4/14/2028

ESRA PRIME CORP.
INVESTMENT HOLDING COMPANY
"We Make Brilliant Solutions"

Annex "A"

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

**SECRETARY'S CERTIFICATE**

I, **LOLIBETH O. BRILLANTES**, of legal age, with address at Metro-Rei Business Park, San Jose-Ibaan, Batangas, being the duly elected Corporate Secretary of **ESRA PRIME CORP.** (the "Corporation"), a corporation organized and existing under Philippine laws, with principal office at Metro-Rei Business Park, San Jose-Ibaan, Batangas, hereby depose and state that:

1. During the special meeting of the Board of Directors (the "Board") of the Corporation held on September 3, 2026 the Board approved the following resolution:

> "RESOLVED, that the Board of Directors of (the "Corporation") hereby authorizes and appoints **Engr. Edelyn Jane A. Salvame** as the Corporation's representative (the "Representative") to the Annual Stockholders' Meeting (the "Meeting") of King Energy Generation Inc. ("KEGI") to be held on October 8, 2026 or any postponement or adjournment thereof, hereby granting such Representative the power and authority to participate in the Meeting for and on behalf of the KEGI shares held and registered under the name of the Corporation, including to cause the registration of the Corporation, vote its KEGI shares, and appoint a proxy, all in accordance with KEGI's guidelines for the Meeting;
>
> "RESOLVED, FURTHER, that the Representative is hereby authorized to execute, sign, and deliver, for and on behalf of the Corporation, the proxy form and any other document or instrument necessary or desirable to implement the foregoing resolution;
>
> "RESOLVED, FINALLY, that these resolutions shall remain valid and subsisting, unless otherwise revoked or amended in writing and duly served on KEGI."

2. The foregoing resolution is in accordance with the record of the Company, is in full force and effect, and has not been amended or rescinded.

**IN WITNESS WHEREOF**, I have hereunto signed this Secretary's Certificate this SEP 11 2026 at PASIG CITY, Philippines.

**LOLIBETH O. BRILLANTES**
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this SEP 11 2026 at PASIG CITY, Philippines, by **Lolibeth O. Brillantes** whose identity I have confirmed through her Philippine Passport No. P2614798B with expiry date on 18 July 2029 and issued by the DFA that she is the same person who personally signed before me the foregoing Secretary's Certificate and acknowledged that she executed the same.

Doc. No. 97;
Page No. 19;
Book No. XII;
Series of 2026.

ATTY. UNICA AMOR B. MANANQUIL
NOTARY PUBLIC
For Pasig City and Municipality of Pateros
Commission No. 157 (2026-2027)
PTR No. 6990916, 01-06-2026, Taguig City
IBP Lifetime Membership No. 014593, 26-05-2016, QC
Roll of Attorneys No. 65415
MCLE Compliance No. VIII-0029318
Issued on April 22nd, 2025, valid until April 14, 2028
2503 Raffles Corporate Center, Emerald Avenue
Ortigas Center, Pasig City

# COVER SHEET

**for**

**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

| C | S | 2 | 0 | 1 | 0 | 1 | 9 | 6 | 9 | 3 |
|---|---|---|---|---|---|---|---|---|---|---|

Tax Identfication Number

| 0 | 0 | 7 | | 9 | 3 | 5 | | 6 | 2 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|

**Company Name**

KING ENERGY GENERATION, INC.

AND SUBSIDIARIES

**Principal Office ( No./Street/Barangay/City/Town)Province)**

KEGI BLDG., PUROK 10 TABLON,

CAGAYAN DE ORO CITY

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AFS | SEC | NA |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| kegi@kingenergy.info | 227-7104 | 09178024216 |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 35 | March 11 | December 31 |

## CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| ENGR. GILBERT J. RODRIGUEZ | grj033@yahoo.com | 227-7104 | NA |

Contact Person's Address

B10L5 PROMISE LAND SUBD. TAGOLOAN MIS OR

**Note:** 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.

# KING ENERGY GENERATION, INC. AND SUBSIDIARIES

KEGI Bldg., Tablon, Cagayan de Oro City

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- **INDEPENDENT AUDITOR'S REPORT**
- **FINANCIAL STATEMENTS**
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  - Statement of Financial Position
  - Statement of Comprehensive Income
  - Statement of Changes in Equity
  - Statement of Cash Flows
  - Notes to Financial Statements
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- **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL SOUNDNESS INDICATORS**
- **RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KEGI Bldg, Purok 10 Tablon, Cagayan De Oro City
Cellular No.: 0917-714-0584
Telephone No.: (088) 857-6368
Email: kegi@kingenergy.info
Website: www.kingenergy.info

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KING ENERGY GENERATION, INC.** and its subsidiaries (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025, 2024 and 2023 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group'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.

**BACONGA PATRIANA & CO.,** the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**MS. EDELYN JANE SALVAME**
CHIEF EXECUTIVE OFFICER / CHAIRMAN

**MS. JODETTE P. ELLO**
CHIEF FINANCIAL OFFICER / TREASURER

Signed this APR 13 2026 day of _____, 2026. APR 13 2026

**SUBSCRIBED AND SWORN TO,** before me, this _____ day of _____ 2026, Affiant exhibited to me her Community Tax Certificate/Passport No. as follows:

| Names | CTC/Passport No. | Date of Issue | Place of Issue |
|---|---|---|---|
| Edelyn Jane Salvame | DL NO. N04-08-001651 | | |
| Jodette Ello | DL NO. K02-19-001926 | | |

Doc. No. : 474
Page No. : 96
Book No. : XXXIII
Series of 2026

ATTY. MARITES F. SANGUAL
NOTARY PUBLIC NC-2025-62 UNTIL DECEMBER 31, 2026
IBP NO. 566000; 12/11/25 FOR 2026; MIS. OR.
PTR NO. 4706334-B; 01/06/26; MIS. OR.
ROLL NO. 60155; 03/22/2012
MCLE Compliance No. VIII-0010364; 07/10/24
TIN No. 418-205-315-000

BUWIS RENTA SA INTERNAS DST 2025 06338753 30 DOKUMENTARYO 30

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of **KING ENERGY GENERATION, INC. AND SUBSIDIARIES** ("the Group"), which comprise the statements of financial position as at December 31, 2025, 2024, and 2023, and the statements of comprehensive income, changes in equity and 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 **KING ENERGY GENERATION, INC. AND SUBSIDIARIES** as at December 31, 2025, 2024, 2023, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

### *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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines,* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matter*

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

We have fulfilled the responsibilities described in the *Auditors' 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, included in the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statement.

*Revenue Recognition from Sale of Power*
The Group's revenue from the sale of power arises from its service contracts to the customers comprising mainly from electric cooperatives and government agencies located within its franchise areas. This matter is significant to our audit because the revenue recognized depends on the contract with the electric cooperatives and government agencies which normally includes fixed rates and variable rates. The variable component depends on the electric consumption captured based on meter readings, as obtained on various meter reading dates and is computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers and reliability of the billing system in processing transactions. Disclosures related to this matter are provided in Notes 3 and 18 to the financial statements.

*Audit Response*
We obtained an understanding of the revenue recognition process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on the contracts and on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated and tested the design of the relevant controls over these processes. We also performed test recalculation of billed amounts using the contract and ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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.

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

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 therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extreme rare circumstances, we determine that a matter should not be communicated in our report because of 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 auditors' report is Jeserio G. Lonon Jr.

**BACONGA PATRIANA & CO.**
**By:**



**JESERIO G. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
Partner's SEC No. 123245-SEC, January 1, 2025 to December 31, 2025

Firm BOA/PRC Cert. of Reg. No. 2431, October 9, 2023 to October 8, 2026
Firm CDA No. 27-AF, April 16, 2024 to April 15, 2029
Firm NEA Accreditation No. 2026-01-00117, January 19, 2026 to January 18, 2029
Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

KING ENERGY GENERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2025, 2024 and 2023

| | Notes | 2025 | As Restated 2024 | As Restated 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Noncurrent Assets** | | | | |
| Generation plant, property and equipment, *net* | 5 | P 5,217,172,492 | P 4,553,124,528 | P 3,908,446,094 |
| Deferred tax asset | 22 | 50,460,313 | 16,239,809 | 18,933,213 |
| Other noncurrent asset | 9 | 9,075,361 | 9,075,361 | 56,000 |
| **Total Noncurrent Assets** | | 5,276,708,166 | 4,578,439,698 | 3,927,435,307 |
| **Current Assets** | | | | |
| Cash | 8 | 80,276,772 | 135,444,786 | 59,477,777 |
| Trade and other receivables, *net* | 10 | 519,476,105 | 567,731,242 | 515,941,518 |
| Inventories | 11 | 54,730,900 | 93,788,015 | 170,022,882 |
| Prepayments and other current assets | 12 | 317,719,114 | 199,060,762 | 74,480,843 |
| **Total Current Assets** | | 972,202,891 | 996,024,805 | 819,923,020 |
| **TOTAL ASSETS** | | P 6,248,911,057 | P 5,574,464,503 | P 4,747,358,327 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | P 3,276,612,209 | P 3,180,411,645 | P 3,170,854,511 |
| **Noncurrent Liabilities** | | | | |
| Loans and borrowings, *net of current portion* | 14 | 2,124,836,939 | 1,309,375,000 | 380,030,761 |
| Trade and other payables, *noncurrent* | 16 | 349,819,010 | 499,287,319 | 406,394,351 |
| Retirement liabilities | 15 | 8,336,108 | 4,322,336 | 6,457,322 |
| **Total Noncurrent Liabilities** | | 2,482,992,057 | 1,812,984,655 | 792,882,434 |
| **Current Liabilities** | | | | |
| Loans and borrowings | 14 | 131,222,920 | 170,956,689 | 241,827,397 |
| Trade and other payables | 16 | 358,083,871 | 410,111,514 | 541,793,985 |
| **Total Current Liabilities** | | 489,306,791 | 581,068,203 | 783,621,382 |
| **Total Liabilities** | | 2,972,298,848 | 2,394,052,858 | 1,576,503,816 |
| **TOTAL LIABILITIES AND EQUITY** | | P 6,248,911,057 | P 5,574,464,503 | P 4,747,358,327 |

*(The notes on pages 9 to 55 are integral parts of these financial statements)*

KING ENERGY GENERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025, 2024 and 2023

| | Notes | 2025 | As Restated 2024 | As Restated 2023 |
|---|---|---|---|---|
| **SALE OF POWER** | 18 | P 609,422,391 | P 758,644,494 | P 819,041,193 |
| **COST OF SERVICE** | 18 | 550,601,528 | 600,334,563 | 625,643,679 |
| **GROSS INCOME** | | 58,820,863 | 158,309,931 | 193,397,514 |
| **OPERATING EXPENSES** | | | | |
| Employees salaries, wages, and other benefits | 20 | 36,512,923 | 29,058,263 | 26,661,602 |
| Depreciation and amortization | 5 | 31,671,392 | 31,039,808 | 28,075,556 |
| Security services | | 6,039,702 | 6,772,573 | 7,647,012 |
| Taxes and licenses | | 3,630,166 | 2,115,192 | 4,356,670 |
| Repairs and maintenance | | 3,402,462 | 4,558,691 | 4,342,793 |
| Consulting services | | 3,342,962 | 6,515,415 | 8,850,999 |
| Gas, oil and lubricants | | 2,945,298 | 7,296,455 | 7,145,074 |
| Research and development | | 2,071,851 | 17,932,437 | 15,097,322 |
| Light, power and water | | 1,151,059 | 1,236,102 | 1,222,677 |
| IT services | | 960,000 | 1,035,000 | 1,370,000 |
| Provision for impairment losses | 10 | - | - | 10,480,272 |
| General and admin expenses | 19 | 15,372,382 | 24,717,726 | 26,553,345 |
| | | 107,100,197 | 132,277,662 | 141,803,322 |
| **OPERATING INCOME BEFORE FINANCE INCOME AND FINANCE COST** | | (48,279,334) | 26,032,269 | 51,594,192 |
| Interest and other income | 19 | 17,300,942 | 1,105,159 | 95,958 |
| Finance cost | 14 | (12,623,398) | (16,258,048) | (39,673,779) |
| | | 4,677,544 | (15,152,889) | (39,577,821) |
| **INCOME BEFORE OTHER EXPENSE** | | (43,601,790) | 10,879,380 | 12,016,371 |
| Share in net loss of associate | 6 | - | - | (4,150,684) |
| **INCOME BEFORE TAX EXPENSE** | | (43,601,790) | 10,879,380 | 7,865,687 |
| **TAX EXPENSE (BENEFIT)** | 22 | | | |
| Current | | - | 307,939 | 5,098,086 |
| Deferred | | (33,304,099) | 5,080,710 | (4,606,241) |
| | | (33,304,099) | 5,388,649 | 491,845 |
| **NET INCOME** | | (10,297,691) | 5,490,731 | 7,373,842 |
| **OTHER COMPREHENSIVE LOSS** | | | | |
| Actuarial gain (loss) on retirement liabilities | 15 | 1,161,871 | 2,941,403 | (654,445) |
| **TOTAL COMPREHENSIVE INCOME** | | P (9,135,820) | P 8,432,134 | P 6,719,397 |
| **Net income (loss) attributable to:** | | | | |
| Equity holders of the Parent Company | | (15,881,671) | 4,016,636 | 8,535,659 |
| Non-controlling interest | | 5,583,980 | 1,474,095 | (1,161,817) |
| | | (10,297,691) | 5,490,731 | 7,373,842 |
| **Total comprehensive income (loss) attributable to:** | | | | |
| Equity holders of the Parent Company | | (14,719,800) | 6,958,039 | 7,881,214 |
| Non-controlling interest | | 5,583,980 | 1,474,095 | (1,161,817) |
| | | (9,135,820) | 8,432,134 | 6,719,397 |
| **EARNINGS PER SHARE** | 23 | P (0.39) | P 0.22 | P 0.29 |

*(The notes on pages 9 to 55 are integral parts of these financial statements)*

KING ENERGY GENERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
For the Years Ended December 31, 2025, 2024 and 2023

| | Notes | 2025 | As Restated 2024 | As Restated 2023 |
|---|---|---|---|---|
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | | | | |
| **CAPITAL STOCK** | *13* | | | |
| Balance, January 1 | | P **2,571,800,000** | P 2,571,800,000 | P 2,571,800,000 |
| Additional subscriptions during the year | *13* | **84,962,400** | - | - |
| Balance, December 31 | | **2,656,762,400** | 2,571,800,000 | 2,571,800,000 |
| **TREASURY SHARES** | *13* | | | |
| *218,000 shares in 2025, 2024 and 2023* | | **(21,800,000)** | (21,800,000) | (21,800,000) |
| **SHARE PREMIUM** | | | | |
| Balance, January 1 | | **337,469,946** | 337,469,946 | 337,469,946 |
| Additions during the period | | **20,373,984** | - | - |
| Balance, December 31 | | **357,843,930** | 337,469,946 | 337,469,946 |
| **RETAINED EARNINGS** | | | | |
| Balance, January 1 | | **252,118,635** | 248,101,999 | 239,566,340 |
| Net income | | **(15,881,671)** | 4,016,636 | 8,535,659 |
| Balance, December 31 | | **236,236,964** | 252,118,635 | 248,101,999 |
| **CUMULATIVE REMEASUREMENT GAIN (LOSS) ON RETIREMENT LIABILITY** | | | | |
| Balance, January 1 | | **2,248,526** | (692,877) | (38,432) |
| Other comprehensive gain (loss) | *15* | **1,161,871** | 2,941,403 | (654,445) |
| Balance, December 31 | | **3,410,397** | 2,248,526 | (692,877) |
| **Total Equity Attributable to Equity Holders of Parent Company** | | **3,232,453,691** | 3,141,837,107 | 3,134,879,068 |
| **NON-CONTROLLING INTERESTS** | | | | |
| Balance, January 1 | | **38,574,538** | 35,975,443 | 37,137,260 |
| Issuance of shares | | **-** | 1,125,000 | - |
| Net income (loss) during the year | | **5,583,980** | 1,474,095 | (1,161,817) |
| Balance, December 31 | | **44,158,518** | 38,574,538 | 35,975,443 |
| **TOTAL EQUITY** | | P **3,276,612,209** | P 3,180,411,645 | P 3,170,854,511 |

*(The notes on pages 9 to 55 are integral parts of these financial statements)*

KING ENERGY GENERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025, 2024 and 2023

| | Notes | 2025 | As Restated 2024 | As Restated 2023 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before tax expense | | P (43,601,790) | P 10,879,380 | P 7,865,687 |
| Adjustments for: | | | | |
| Depreciation | 5 | 273,451,388 | 283,926,302 | 305,399,422 |
| Provision for impairment of receivables | 10 | - | - | 10,480,272 |
| Provision for retirement expense | 15 | 5,809,991 | 1,218,451 | 1,015,328 |
| Loss on investment with associate | 6 | - | - | 4,150,684 |
| Finance cost | 14 | 12,623,398 | 16,258,048 | 39,673,779 |
| Loss (gain) on disposal and property damages | 5 | 5,322 | 17,643 | (32,107) |
| Operating income before working capital changes | | 248,288,309 | 312,299,824 | 368,553,065 |
| Decrease (increase) in assets | | | | |
| Trade and other receivables | | 45,133,243 | (62,346,903) | 176,294,138 |
| Inventories and prepayments and other current assets | | (72,653,599) | (48,345,052) | (99,961,100) |
| Increase (decrease) in liabilities | | | | |
| Trade and other payables | | (198,374,062) | (20,994,893) | (86,303,923) |
| Cash flows from operating activities | | 22,393,891 | 180,612,976 | 358,582,180 |
| Retirement benefits paid | 15 | (634,348) | (412,035) | (22,479) |
| Income tax paid | | (7,864,041) | (9,503,832) | (19,359,427) |
| Net cash flows from operating activities | | 13,895,502 | 170,697,109 | 339,200,274 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | |
| Acquisition of subsidiary's assets, net of cash acquired | 7 | - | - | (1,164,519) |
| Acquisition of generation plant, property and equipment | 5 | (937,504,672) | (928,917,267) | (50,202,021) |
| Proceeds from disposal of asset | 5 | - | 6,450 | 54,020 |
| Payments of due from related parties | 17 | - | - | (20,064,993) |
| Other noncurrent assets | 9 | - | (9,025,361) | 160,000 |
| Net cash flows used in investing activities | | (937,504,672) | (937,936,178) | (71,217,513) |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | | | |
| Availment of loans and borrowings | 14 | 909,234,575 | 1,100,000,000 | - |
| Payment on loans and borrowings | 13 | (133,506,405) | (241,526,469) | (219,828,015) |
| Payment for finance cost | 14 | (12,623,398) | (16,258,048) | (39,673,779) |
| Additional issuance of shares | 13 | 84,962,400 | (134,405) | - |
| Share premium | 13 | 20,373,984 | 1,125,000 | - |
| Net cash flows from (used in) financing activities | | 868,441,156 | 843,206,078 | (259,501,794) |
| **NET INCREASE (DECREASE) IN CASH** | | (55,168,014) | 75,967,009 | 8,480,967 |
| **CASH, January 1** | | 135,444,786 | 59,477,777 | 50,996,810 |
| **CASH, December 31** | | P 80,276,772 | P 135,444,786 | P 59,477,777 |

*(The notes on pages 9 to 55 are integral parts of these financial statements)*

## NOTE 1 – CORPORATE INFORMATION

**KING ENERGY GENERATION, INC.** (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010.

The primary purpose of the Parent Company is to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Parent Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Parent and its Subsidiaries ("The Group") are involved in energy generation services, using diesel fuel and renewable energy resources to power businesses and communities.

The Group's registered office and its principal place of business is located in the Philippines.

The consolidated financial statements as at December 31, 2025 were approved and authorized for issue by the board of directors on April 13, 2026.

**Business Operations**

The consolidated financial statements as of December 31, 2025 comprise the financial statements of the Parent Company and the following Subsidiaries:

| | **2025** | | |
|---|---|---|---|
| | **Percentage of Ownership** | | |
| **Name of Subsidiary** | **Direct** | **Indirect** | **Total** |
| Maramag Mini Hydro Power Corporation | **42.70%** | **37.30%** | **80%** |
| Sulipat Hydro Power Corporation | **85%** | **-** | **85%** |
| Calatngan Hydro Power Corporation | **80%** | **-** | **80%** |

| | 2024 | | |
|---|---|---|---|
| | Percentage of Ownership | | |
| Name of Subsidiary | Direct | Indirect | Total |
| Maramag Mini Hydro Power Corporation | 42.70% | 37.30% | 80% |
| Sulipat Hydro Power Corporation | 85% | - | 85% |
| Calatngan Hydro Power Corporation | 80% | - | 80% |

***Maramag Mini Hydro Power Corporation (MMHPC)***
MMHPC was incorporated and registered with the SEC on June 07, 2013, primarily to make, generate, sell, and supply electricity through the exploration, development, and utilization of Hydro Renewable Sources of energy and technologies, among others. The Subsidiary have just started its commercial operations on May 2023. The Parent's control of MMHPC was established only in 2023 when MMHPC started its commercial operation.

***Sulipat Hydro Power Corporation (SHPC)***
SHPC was incorporated and registered with the SEC on September 12, 2022, with a primary purpose to undertake the exploration, development, and utilization of renewable energy and technologies. Also, the Subsidiary has a purpose to build and construct electric generating plants, among others, in the furtherance of such power generation services. SHPC has not yet started its commercial operations.

***Calatngan Hydro Power Corporation (CHPC)***
CHPC was incorporated and registered with the SEC on January 4, 2023, primarily to carry on the business of exploration, development, and utilization of renewable energy and technologies. CHPC also has a purpose to construct, maintain, operate, and to sell, among others, electric plants, lands, building structures and equipment, and any other real property. SHPC has not yet started its commercial operations.

## NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**Basis of Preparation**
The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

***Statement of Compliance***
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

***Basis of measurement and presentation***
The consolidated financial statements of the Group have been prepared using the historical cost basis and are presented in Philippine Peso, which is the Group's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

***Use of Judgments and Estimates***
The preparation of financial statements in compliance with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

**Basis of Consolidation**
The consolidated financial statements comprise the financial statements of the Parent and its Subsidiaries as at December 31, 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the Group's financial statements.

- *Amendments to PAS 21 — Lack of Exchangeability*

  The amendments clarify:

  - How to determine when a currency is exchangeable; and
  - How to estimate the spot exchange rate when exchangeability is lacking.

  The Group's operations are primarily denominated in Philippine Peso. Foreign currency exposures, if any, are not significant.

  Management assessed the amendments and determined that:

- There were no instances during the year where exchangeability of a currency was lacking; and
- The adoption of the amendments did not have a material impact on the Bank's financial statements.

No significant additional disclosures were required as a result of adoption.

- *PFRS 17, Insurance Contracts*

  PFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

  The Group does not issue insurance contracts within the scope of PFRS 17. Accordingly, the adoption of this standard did not have any impact on the Bank's financial statements.

***Effective in 2026***

*Amendments to PFRS 9 and PFRS 7 — Classification and Measurement of Financial Instruments*
An entity is required to adopt the amendments beginning on January 1, 2026. These amendments:

- Clarify the assessment of contractual cash flow characteristics (SPPI test);
- Provide guidance on financial assets with contingent or ESG-linked features; and
- Introduce enhanced disclosure requirements.

The Group's financial assets consist primarily of loans receivables, other receivables, and cash and cash equivalents.

Management is currently evaluating the impact of these amendments, particularly on:

- Loans with variable interest rates or contingent payment features;
- Restructured or modified loans; and
- Related disclosure requirements.

Based on preliminary assessment, the Group does not expect significant changes in classification of its loan portfolio. The amendments are not expected to materially affect the Group's expected credit loss (ECL) methodology under PFRS 9. However, additional disclosures may be required upon adoption.

*Amendments to PFRS 9 and PFRS 7 — Contracts Referencing Nature-dependent Electricity*
These amendments address accounting for certain renewable electricity contracts.

The Company does not enter into such contracts in the normal course of business. Accordingly, these amendments are not expected to have any impact on the financial statements.

*Annual Improvements to PFRS Accounting Standards — Volume 11*
These include minor amendments to various standards. The Company does not expect the adoption of these amendments to have a material impact on its financial statements.

***Effective in 2027***

*PFRS 18 Presentation and Disclosures in Financial Statements*
PFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

PFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Group believed that the new issuance, once adopted in the Philippines, may have an impact on its financial statements in future periods.

*PFRS 19 Subsidiaries without Public Accountability: Disclosures*
PFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

PFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply PFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply PFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply PFRS 19 for a reporting period earlier than the reporting period in which it first applies PFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to PFRS 19. If an entity elects to apply PFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in PFRS 19 with regard to Lack of Exchangeability.

The Group believed that the new issuance, once adopted in the Philippines, will not have a significant impact on its financial statements in future periods.

***Deferred effectivity***

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

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

**Consolidated Financial Statements**

The Parent Company prepares consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

The Parent Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

*Date of recognition*

Financial assets and financial liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

*Initial recognition*

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, the initial measurement of financial instruments includes transaction costs.

*Determination of fair value*
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

**Classification of Financial Instruments**

*Financial Assets*
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Group classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

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

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

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Group classified "Cash" *(See Note 8)* and "Trade and other receivables" *(See Note 10)* as financial assets at amortized cost.

  The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Group classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Group does not have financial assets under this category as at December 31, 2025, 2024 and 2023.

- Financial assets at FVOCI

  The Group classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

  The Group does not have financial assets under this category as at December 31 2025, 2024 and 2023.

*Financial Liabilities*
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

*Financial liabilities at FVPL*
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Group elects to designate a financial liability under this category.

The Group does not have financial liabilities under this category as at December 31, 2025, 2024 and 2023.

*Other financial liabilities*
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

*Fair value measurement hierarchy*
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

*Financial guarantees*
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets*
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Group has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights 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 Group's continuing involvement in the asset.

Continuing involvement that makes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum account of consideration that the Group could be required to repay.

*Financial Liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

**Impairment of Financial Assets**

*Assessment of Impairment*
PFRS 9 requires the Group to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Group must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

A financial asset is assessed for impairment based on the following stages:

Stage 1: When a financial asset is first recognized, the Group recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3.

Stage 3: When a financial asset is considered as credit impaired, the Group recognizes an allowance for the lifetime ECL.

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

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

*Evidence of Impairment*
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Group on terms that the Group would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

*Impairment of financial assets carried at amortized cost*
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

*Impairment on financial assets carried at cost*
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

*Reversal of impairment loss*
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

*Classification of financial instrument between debt and equity*
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

**Offsetting of Financial Instruments**
Financial assets and financial liabilities are offset and the net amount is 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in gross in the statement of financial position.

**Derivatives**
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Group has no derivatives as at December 31, 2025, 2024 and 2023.

**Embedded derivatives**

An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition; (c) the hybrid or combined instrument is not recognized at FVPL.

The Group has no transactions with embedded derivatives as at December 31, 2025, 2024 and 2023.

**Cash and Cash Equivalents**

Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Group has no cash equivalents as at December 31, 2025, 2024 and 2023.

**Trade and Other Receivables**

Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

**Prepayments**

These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

**Property and Equipment**

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| Components | Estimated Useful Life |
|---|---|
| Generation plants | 20 years |
| Transmission line | 10 years |
| Building | 10-20 years |
| Land and improvements | 10 years |
| Tool and machineries and service vehicles | 5 years |
| Furniture and office equipment | 3-5 years |

Depreciation of an item of property and equipment begins 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 ceases 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, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

**Impairment of Non-financial Assets**

The carrying amounts of the Group's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the 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 the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

**Trade and Other Payables**
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

**Related Party Transactions**
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

**Borrowings and Borrowing Costs**
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

**Equity**

*Capital Stock*
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

*Retained Earnings*
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

**Revenue and Cost Recognition**
The Group has applied PFRS 15 where revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The following specific recognition criteria must also be met before revenue and cost is recognized:

| | | |
|---|---|---|
| *Sale of power* | - | Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled. |
| *Interest on bank deposits* | - | Interest is recognized as interest accrues based on effective interest method of accounting. |

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Group.

The Group presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or the Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers goods or performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent billings. The Group considers the effect of significant financing component in the contract which is recognized as part of Revenues and Finance Cost in the statement of comprehensive income.

The Group incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Group also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Group. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive, less the costs that relate to providing services under the relevant contract.

**Leases**

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

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

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

*Group as lessee*
Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at December 31, 2025, 2024 and 2023, the Group does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

**Employee Benefits**
Employee benefits are all forms of consideration given by the Group in exchange for service rendered by the employees. The Group's employee benefits include the following:

*Short-term benefits*
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. *(Note 15)*

*Termination benefits*
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

*Compensated absences*
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

**Research and Development Costs**
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

The Group's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

**Income Taxes**

*Current income tax*
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Group recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Group recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

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

*Deferred income tax*
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

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

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

**Provisions**
Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Group expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

**Contingencies**
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**Related Party Transactions**
Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.

Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Group that gives them significant influence in the financial and operating policy decisions of the Group are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

**Earnings Per Share**
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Group does not have potentially dilutive common shares.

**Events after the End of Reporting Period**
Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

## NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Group's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. 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 financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

**Judgments**

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

*Determination of functional currency*

Based on the economic substance of the underlying events and circumstances relevant to the Group, the Group's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Group operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates.*

*Revenue Recognition*

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Group supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group 's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.
For power generation, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Group applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group 's influence (i.e., provisional ERC rates).

- Allocation of variable consideration

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

*Fair Value of Financial Instruments*
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*Classification of financial instruments*
The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

**Estimates and Assumptions**
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Estimating Allowance for Doubtful Accounts*
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Group's credit risk exposures;
- the Group's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

As at December 31, 2025, 2024 and 2023, the allowance for impairment losses on trade and other receivables amounted to **P20,861,269**. *(see Note 10)*

*Determination of Net Realizable Value of Inventories*
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Group periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2025, 2024 and 2023.

*Estimation of Useful Lives of the Group's Property, Plant, and Equipment*
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2025, 2024 and 2023. As at December 31, 2025, 2024 and 2023, the aggregate net book value of property, plant, and equipment amounted to **P5,217,172,492**, P4,533,124,528 and P3,908,446,094, respectively *(see Note 5)*.

*Provisions and Contingencies*
The Group provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Group. The Group has not recognized any provision in both years.

*Impairment of Non-Financial Assets – Property, plant, and equipment*
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include 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.

As at December 31, 2025, 2024 and 2023, no impairment loss on property and equipment was recognized in the statements of comprehensive income of the Group.

*Retirement Obligation*
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation of the Group and details about the assumptions used are disclosed in Note 15.

*Recognition of Deferred Income Tax Assets*
The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As of December 31, 2025, 2024 and 2023, the Group recognized deferred income tax assets amounting to **P50,460,313** in 2025, P16,239,809 in 2024 and P18,933,213 in 2023 *(see Note 22)*.

## NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

| | January 1, 2025 | Additions | Disposal/ Reclassification | December 31, 2025 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land and improvements | P 284,675,191 | P 50,304,375 | - | P 334,979,566 |
| Generation plants | 5,178,359,059 | 2,528,590 | - | 5,180,887,649 |
| Transmission line | 47,038,732 | - | - | 47,038,732 |
| Buildings | 195,998,883 | 2,765,036 | - | 198,763,919 |
| Tools and machineries and service vehicles | 87,949,205 | 3,331,634 | - | 91,280,839 |
| Leasehold improvements, furniture and office equipment | 30,171,086 | 1,667,412 | ( 367,486) | 31,471,013 |
| Construction in progress | 1,312,815,247 | 876,907,625 | - | 2,189,722,872 |
| | **7,137,007,403** | **937,504,672** | **( 367,486)** | **P 8,074,141,590** |
| **Accumulated depreciation** | | | | |
| Land and improvements | 118,324,575 | 10,582,891 | - | 128,904,466 |
| Generation plants | 2,273,574,127 | 238,794,486 | - | 2,512,368,613 |
| Transmission line | 39,740,499 | 2,985,509 | - | 42,726,008 |
| Buildings | 66,457,126 | 9,682,866 | - | 76,139,992 |
| Tools and machineries and service vehicles | 59,713,736 | 9,029,636 | - | 68,743,372 |
| Leasehold improvements, furniture and office equipment | 26,072,812 | 2,376,000 | ( 362,164) | 28,086,647 |
| | **2,583,879,875** | **273,451,388** | **( 362,164)** | **2,856,972,098** |
| **Net book value** | **P 4,553,124,528** | **P 664,053,284** | **( 5,322)** | **P 5,217,172,492** |

| | January 1, 2024 | Additions | Disposal/ Reclassification | December 31, 2024 |
|---|---|---|---|---|
| Cost | | | | |
| Land and improvements | P 283,675,191 | P 1,000,000 | P - | P 284,675,191 |
| Generation plants | 5,971,668,287 | 243,550 | ( 793,552,778) | 5,178,359,059 |
| Transmission line | 47,038,732 | - | - | 47,038,732 |
| Buildings | 195,998,883 | - | - | 195,998,883 |
| Tools and machineries and service vehicles | 79,471,902 | 8,829,631 | ( 352,328) | 87,949,205 |
| Leasehold improvements, furniture and office equipment | 28,768,483 | 1,833,382 | ( 430,779) | 30,171,086 |
| Construction in progress | 22,173,769 | 917,010,704 | 373,630,774 | 1,312,815,247 |
| | 6,628,795,247 | 928,917,267 | ( 420,705,111) | 7,137,007,403 |
| Accumulated depreciation | | | | |
| Land and improvements | 107,589,054 | 10,735,521 | - | 118,324,575 |
| Generation plants | 2,444,868,293 | 248,627,513 | ( 419,921,679) | 2,273,574,127 |
| Transmission line | 35,485,343 | 4,255,156 | - | 39,740,499 |
| Buildings | 56,889,916 | 9,567,210 | - | 66,457,126 |
| Tools and machineries and service vehicles | 51,729,582 | 8,076,176 | ( 92,022) | 59,713,736 |
| Leasehold improvements, furniture and office equipment | 23,786,965 | 2,658,726 | ( 372,879) | 26,072,812 |
| | 2,720,349,153 | 283,920,302 | ( 420,386,580) | 2,583,882,875 |
| Net book value | P 3,908,446,094 | P 644,996,965 | (P 318,531) | P 4,553,124,528 |

| | January 1, 2023 | Additions | Disposal/ Adjustments | December 31, 2023 |
|---|---|---|---|---|
| Cost | | | | |
| Land and improvements | P 279,287,919 | P 205,857 | P 4,181,415 | P 283,675,191 |
| Generation plants | 5,435,433,725 | - | 536,234,562 | 5,971,668,287 |
| Transmission line | 47,038,732 | - | - | 47,038,732 |
| Buildings | 162,744,185 | - | 33,254,698 | 195,998,883 |
| Tools and machineries and service vehicles | 61,108,656 | 1,836,391 | 16,526,855 | 79,471,902 |
| Leasehold improvements, furniture and office equipment | 25,323,469 | 1,810,266 | 1,634,748 | 28,768,483 |
| Construction in progress | 28,575,065 | 46,349,507 | ( 52,750,803) | 22,173,769 |
| | 6,039,511,751 | 50,202,021 | 539,081,475 | 6,628,795,247 |
| Accumulated depreciation | | | | |
| Land and improvements | 96,667,615 | 10,626,660 | 294,779 | 107,589,054 |
| Generation plants | 2,172,242,017 | 272,626,276 | - | 2,444,868,293 |
| Transmission line | 30,781,470 | 4,703,873 | - | 35,485,343 |
| Buildings | 46,767,561 | 8,901,986 | 1,220,369 | 56,889,916 |
| Tools and machineries and service vehicles | 42,797,101 | 5,989,686 | 2,942,795 | 51,729,582 |
| Leasehold improvements, furniture and office equipment | 20,343,925 | 2,550,941 | 892,099 | 23,786,965 |
| | 2,409,599,689 | 305,399,422 | 5,350,042 | 2,720,349,153 |
| Net book value | P 3,629,912,062 | (P 255,197,401) | P 533,731,433 | P 3,908,446,094 |

The above balances include effect of consolidation of subsidiaries.

Depreciation charged to direct costs and operating expenses amounted to **P241,779,995** and **P31,671,393** in 2025, P252,886,494 and P31,033,808 in 2024, and P277,323,866 and P28,075,556 in 2023.

Gain (loss) on disposal of assets amounted to **(P5,322)** in 2025, (P17,643) in 2024, and P32,107 in 2023. Proceeds from disposal of asset amounted to **P0** in 2025, P6,450 in 2024, and P54,020 in 2023.

Borrowing costs capitalized in 2025, 2024 and 2023 amounted to **P90,793,226**, P15,250,942, and P5,903,425, respectively, using 6.5% capitalization rate. *(See Note 14)*

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P67,433,327** in 2025, P65,597,556 in 2024, and P65,597,556 in 2023.

The Group has determined that there is no indication that an impairment loss has occurred on its generation plant, property and equipment.

The Group's generation plant and equipment and land with net book value of **P3,101,589,838** were pledged as security or collateral for the Group's loans and borrowings discussed in Note 14.

## NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, a domestic corporations engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Movement of the account follows:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Balance, January 1 | **P -** | P - | P 13,170,584 |
| Share in net loss | - | - | ( 4,150,684) |
| | - | - | 9,019,900 |
| Transfer to investment in subsidiary | - | - | ( 9,019,900) |
| Balance, December 31 | **P -** | P - | P - |

The Parent Company recognized losses on investment amounting to **P4,150,684** in 2023 and P3,907,225 in 2022. MMHPC received its Certificate of Commerciality in May 2023 and its Provisional Authority to Operate in October 2023, enabling it to begin commercial operations. Despite initial losses, management is confident that the investment and losses can be recovered since its associate has obtained the necessary licenses and is expected to be fully operational by 2024. Thus, no impairment is recognized in both years.

## NOTE 7 – CONSOLIDATION OF SUBSIDIARIES

*Controlling interest in Sulipat Hydro Power Corporation (SHPC) and Calatngan Hydro Power Corporation (CHPC)*
Investment in SHPC and CHPC pertains to 85% and 80% direct ownership in investment of shares of stocks of Sulipat Hydro Power Corporation and Calatngan Hydro Power Corporation, respectively. The subsidiaries have not yet started its commercial operations in 2025, 2024 and 2023.

Details of the balances of the subsidiaries assets which were consolidated to the Group as at December 31, 2025, 2024 and 2023 are as follows:

*Sulipat Hydro Power Corporation*

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Total Assets | | | |
| Current assets | **P 3,238,626** | P 3,266,731 | P 5,002,181 |
| Noncurrent assets | **8,161,999** | 8,074,083 | 3,890,898 |
| | **11,400,625** | 11,340,814 | 8,893,079 |
| Total Liabilities | | | |
| Current liabilities | **8,436,279** | 8,179,923 | 5,391,390 |
| Noncurrent liabilities | **-** | - | - |
| | **8,436,279** | 8,179,923 | 5,391,390 |
| Total Equity | | | |
| Share capital | **3,750,000** | 3,750,000 | 3,750,000 |
| Retained earnings (Deficit) | **( 785,654)** | ( 589,109) | ( 248,311) |
| | **P 2,964,346** | 3,160,891 | P 3,501,689 |
| Gross income for the year | **P -** | - | - |
| Net income (loss) for the year | **(P 196,545)** | (P 340,798) | (P 32,066) |

*Calatngan Hydro Power Corporation*

| | | | |
|---|---|---|---|
| Total Assets | | | |
| Current assets | **P 822,198** | P 70,015 | P 20,000 |
| Noncurrent assets | **1,001,081** | 994,261 | 3,993,503 |
| | **1,823,279** | 1,064,276 | 4,013,503 |
| Total Liabilities | | | |
| Current liabilities | **2,077,445** | 1,291,339 | 426,115 |
| Noncurrent liabilities | **-** | - | - |
| | **2,077,445** | 1,291,339 | 426,115 |
| Total Equity | | | |
| Share capital | **3,750,000** | 3,750,000 | 3,750,000 |
| Retained earnings (Deficit) | **( 4,004,166)** | ( 3,977,063) | ( 162,612) |
| | **(P 254,166)** | (P 227,063) | (P 3,587,388 |
| Gross income for the year | **P -** | - | P - |
| Net income (loss) for the year | **(P 27,103)** | (P 652,171) | (P 34,969) |

*Controlling interest in Maramag Mini Hydro Power Corporation (MMHPC)*
Investment in MMHPC pertains to 42.70% direct ownership in investment in shares of stocks and 37.30% indirect ownership. The Subsidiary was incorporated on June 7, 2013 and started its commercial operations last May 2023. Common stockholders between the parent and subsidiary were present, but control was established only in May 2023. The investment in MMHPC was initially recorded using the equity method and was subsequently accounted for using the cost method upon consolidation.

Details of the balances of the subsidiary's assets which were consolidated to the Group are as follows:

| | **2025** | 2024 | 2023 |
|---|---|---|---|
| Total Assets | | | |
| Current assets | **P 35,576,879** | P 34,709,707 | P 35,861,576 |
| Noncurrent assets | **523,664,157** | 546,255,226 | 567,114,098 |
| | **559,241,036** | 580,964,933 | 602,975,674 |
| Total Liabilities | | | |
| Current liabilities | **340,266,636** | 332,803,626 | 321,053,688 |
| Noncurrent liabilities | **174,184,199** | 211,684,199 | 249,318,604 |
| | **514,450,836** | 544,487,825 | 570,372,292 |
| Total Equity | | | |
| Share capital | **63,645,000** | 63,645,000 | 62,520,000 |
| Retained earnings (Deficit) | **( 18,854,800)** | ( 27,167,892) | ( 29,916,618) |
| | **P 44,790,200** | P 36,477,108 | P 32,603,382 |
| Gross income for the year | **P 30,231,829** | P 24,586,469 | P 16,934,994 |
| Net income (loss) for the year | **P 9,806,077** | (P 2,748,726) | (P 1,264,535) |

## NOTE 8 – CASH

This account consists of:

| | | | |
|---|---|---|---|
| Revolving fund | **P 23,210** | P 24,010 | P 20,000 |
| Cash in bank | **80,253,562** | 135,420,776 | 59,457,777 |
| | **P 80,276,772** | P 135,444,786 | P 59,477,777 |

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P69,769** in 2025, P66,420 in 2024, and P32,319 in 2023.

## NOTE 9 – OTHER NONCURRENT ASSET

This account consists of:

| | | | |
|---|---|---|---|
| Advance payment for land purchase | **P 9,000,000** | P 9,000,000 | P - |
| Computer software | **-** | - | 6,000 |
| Others | **75,361** | 75,361 | 50,000 |
| | **P 9,075,361** | P 9,075,361 | P 56,000 |

Computer software is amortized at P8,000 per year and classified as part of the operating expenses. As at December 31, 2024, the computer software has been fully amortized.

Others pertain to rental deposit *(See Note 21),* billing and security bond deposits and refundable deposits made for the Parent Company's IT services (VSAT connectivity services).

## NOTE 10 – TRADE AND OTHER RECEIVABLES

This account consists of:

| | | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| Trade receivables | | **P 430,019,063** | P 475,029,603 | P 522,552,023 |
| Advances to related parties | *17* | **-** | - | - |
| Advances to contractors and suppliers | | **109,066,911** | 111,416,380 | 11,598,907 |
| Advances to officers and employees | | **1,251,400** | 2,146,529 | 2,651,857 |
| | | **540,337,374** | 588,592,512 | 536,802,787 |
| Less: Allowance for impairment of receivables | | **( 20,861,269)** | ( 20,861,269) | ( 20,861,269) |
| | | **P 519,476,105** | P 567,731,243 | P 515,941,518 |

Trade and other receivables are non-interest bearing and are generally on 30 days - 90 days term. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

| | | | |
|---|---|---|---|
| Balance, January 1 | **P 20,861,269** | P 20,861,269 | P 10,380,997 |
| Provisions | **-** | - | 10,480,272 |
| Write-off | **-** | - | - |
| Balance, December 31 | **P 20,861,269** | P 20,861,269 | P 20,861,269 |

The impaired receivables are from the unpaid collectibles from trade receivables.

## NOTE 11 – INVENTORIES

Inventories pertains to fuel that are carried at cost used in the generation plant.

There were no allowance for obsolescence/impairment for both years.

The cost of inventories recognized as part of cost of generated power in the statement of comprehensive income amounted to **P150,190,940** in 2025, P160,829,740 in 2024, and P115,749,079.

The Group's inventories have been reviewed for indicators of impairment. There were no provisions for impairment or recognized in both years.

There were no unusual purchase commitments for inventory during the year. Accordingly, there are no losses expected from uncancellable commitments.

## NOTE 12 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

| | **2025** | 2024 | 2023 |
|---|---|---|---|
| Prepayments | **P 177,443,637** | P 55,429,660 | P 51,487,475 |
| Deferred input taxes | **17,955,218** | 18,425,423 | 22,993,368 |
| Others | **122,320,259** | 125,205,679 | |
| | **P 317,719,114** | P 199,060,762 | P 74,480,843 |

Prepayments mainly includes advance payments of taxes and insurance.

Deferred input taxes pertain to VAT credits on purchases of capital goods acquired by the Group.

Others pertain to spare parts and other supplies that are carried at cost and are used for the repair and maintenance of the generation plant.

## NOTE 13 – CAPITAL STOCK

The components of capital stock follow:

*Common Stock – Authorized 30,000,000 shares in both years at P100 par value*
*Subscribed and outstanding – **26,349,624** shares in 2025, and 25,500,000 shares in 2024 and 2023*

| | | | |
|---|---|---|---|
| Balance, January 1 | **P 2,571,800,000** | P 2,571,800,000 | P 2,571,800,000 |
| Additional paid-up capital | **84,962,400** | - | - |
| Balance, December 31 | **P 2,656,762,400** | P 2,571,800,000 | P 2,571,800,000 |
| Less: Treasury Shares | **( 21,800,000)** | ( 21,800,000) | ( 21,800,000) |
| | **P 2,634,962,400** | P 2,550,000,000 | P 2,550,000,000 |

In 2025, there were additional stock subscriptions amounting **P84,962,400** equivalent to **849,624** shares and share premium amounting to **P20,373,984.**

***Treasury shares***
On March 24, 2022, the Group purchased its own shares amounting to P21,800,000 equivalent to 218,000 shares and presented in the statements of equity as treasury shares. Consequently, the amount of retained earnings was appropriated.

On June 28, 2022, there were additional stock subscriptions amounting P2,200,000 equivalent to 22,000 shares.

## NOTE 14 – LOANS AND BORROWINGS

This account consists of:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Commercial banks | **P 2,249,375,000** | P 1,480,208,333 | 617,708,333 |
| Financing companies, *net of discount* | **6,684,859** | 123,356 | 4,149,825 |
| | **2,256,059,859** | 1,480,331,689 | 621,858,158 |
| Current portion | **( 131,222,920)** | ( 170,956,689) | ( 241,827,397) |
| | **P 2,124,836,939** | P 1,309,375,000 | 380,030,761 |

This account consists of loans and borrowings from commercial banks and financing companies. The movement of the loans and borrowings during the year follows:

| | | | |
|---|---|---|---|
| Balance, January 1 | **P 1,480,331,689** | P 621,858,158 | P 541,686,174 |
| Consolidation of MMHPC | **-** | - | 299,999,999 |
| Availments during the period | **909,234,575** | 1,100,000,000 | |
| Payments during the period | **( 133,506,405)** | ( 241,526,469) | ( 219,828,015) |
| Balance, December 31 | **2,256,059,859** | 1,480,331,689 | 621,858,158 |
| Current portion (due within 1 year) | **( 131,222,920)** | ( 170,956,689) | ( 241,827,397) |
| Non-current portion | **P 2,124,836,939** | P 1,309,375,000 | P 380,030,761 |

The proceeds of the loans were used for additional working capital and construction of the generation plant, property and equipment. These were covered by promissory notes at various dates with various interest rates ranging from 4% to 9% per annum, payable in various dates until 2025. Certain properties were pledged as security or collateral for loans and borrowings. *(See Note 5)*

Discount on lease liability from financing companies amounted to **P0**, P0 and 177,572 as at December 31, 2025, 2024 and 2023, respectively.

Borrowing costs capitalized in 2025, 2024 and 2023 amounted to **P90,793,226**, P15,250,942, and P5,903,425, respectively, discussed in Note 5 using 6.5% capitalization rate.

Finance cost charged to operations amounted to **P12,623,398**, P16,258,048, and P39,673,779 in 2025, 2024 and 2023, respectively.

There is no default in payments in all years.

The Group is in compliance with the covenants of the debt agreements as at December 31, 2025, 2024 and 2023.

## NOTE 15 – RETIREMENT LIABILITIES

The Group provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The net retirement liability recognized in the Statement of Financial Position as at December 31, 2025, 2024 and 2023 was determined as follows:

| | 2025 | 2024 | 2022 |
|---|---|---|---|
| Present value of defined benefit obligation | P **8,336,108** | P 4,322,336 | P 6,457,322 |
| Less: Fair value of plan assets | **-** | - | - |
| | P **8,336,108** | P 4,322,336 | P 6,457,322 |

Movement of the present value of defined benefit obligation follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance, January 1 | P | **4,322,336** | P | 6,457,322 | P | 4,810,028 |
| Provision during the year | | **5,809,991** | | 1,218,451 | | 1,015,328 |
| Payments | ( | **634,348)** | ( | 412,034) | ( | 22,479) |
| Adjustments during the year | ( | **1,161,871)** | | 2,941,403) | | 654,445 |
| Balance, December 31 | P | **8,336,108** | P | 4,322,336 | P | 6,457,322 |

**Actuarial assumptions**

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | | | |
|---|---|---|---|
| Discount rate | 6.27% | 6.12% | 6.09% |
| Future salary growth | 2.00% | 2.00% | 2.00% |

The weighted-average duration of the defined benefit obligation is 5.50 years in 2025, 5.30 years in 2024, and 8.9 years in 2023.

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | |
|---|---|
| Decrease in DBO if Discount Rate + 100 basis points (bps) | (433,893) (5.2%) |
| Increase in DBO if Discount Rate – 100 bps | 487,529;5.8% |
| Increase in DBO if Salary Increase Rate + 100 bps | 503,985; 6.00% |
| Decrease in DBO if Salary Increase Rate – 100 bps | (455,218) ; (5.5%) |
| Increase in DBO if No Attrition Rates | 442,009; 5.3% |

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The remeasurement gain/(loss) recognized in other comprehensive gain (loss) in the statement of changes in equity and statement of comprehensive income for the years ended December 31, 2025, 2024 and 2023 amounted to **P1,161,871**, P2,941,403, and (P654,445), respectively.

## NOTE 16 – TRADE AND OTHER PAYABLES

This account consists of:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| ***Current Liabilities*** | | | |
| Trade payables | **P 240,150,368** | P 303,021,818 | P 440,353,473 |
| Deferred output tax | **52,476,346** | 58,589,077 | 71,133,560 |
| Accrued expenses | **53,342,039** | 40,096,692 | 22,340,964 |
| Retention payable | **7,833,764** | 5,410,327 | 1,741,830 |
| Payable to government agencies | **2,690,966** | 1,762,876 | 4,911,589 |
| Advances from employees | **1,590,388** | 1,230,724 | 1,312,569 |
| | **358,083,871** | 410,111,514 | 541,793,985 |
| ***Noncurrent Liability*** | | | |
| Other liabilities | **349,819,010** | 499,287,319 | 406,394,351 |
| | **P 707,902,881** | P 909,398,833 | P 948,188,336 |

Trade payables primarily consist of liabilities to suppliers. These are noninterest-bearing and current portion are normally settled within the next financial year.

***Energy Regulation (ER) 1-94***
ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Parent Company accrues the required benefits to its host community (included under "Trade and other payables" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94. Total accrued regulatory fees amounted to **P91,697** in 2025, P95,680 in 2024 and P105,493 in 2023.

***Deferred output tax***
Deferred output tax pertain VAT charged on services not yet collected.

***Accrued expenses***
Accrued expenses pertain to cost and operating expenses which are normally settled within the next financial year.

***Retention Payable***
Retention payable pertains to construction projects.

***Government liabilities***
Payables to government agencies mainly consist of vat payable, expanded withholding taxes, and SSS/PHIC/HDMF payable which is normally settled within the next financial year.

***Other liabilities***
Other liabilities pertain to amounts due to transmission utilities and utilities billable beyond the next financial year.

Trade and other payables are non-interest bearing.

## NOTE 17 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Group has transactions with related parties. 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. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties:

**Receivables from related parties**
The Group, in the ordinary course of business transacts with related parties (i.e. contractors, suppliers of materials and supplies, etc.). These receivables are unsecured, non-interest bearing and are settled in cash with no definite terms.

**Key management personnel compensation**
The Group considered as key management personnel all employees holding managerial positions up to the President. Total compensation and benefits paid/accrued for key management personnel are as follows:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Short-term benefits | **P 5,640,000** | P 5,684,199 | P 5,684,199 |
| Post-employment benefits | **121,845** | 121,845 | 101,533 |
| | **P 5,761,845** | P 5,806,044 | P 5,785,732 |

## NOTE 18– REVENUE AND DIRECT COSTS

**Sale of Power**
This pertains to sale of power generated by the Group for customers with peak generation agreements and through transactions from Wholesale Electricity Spot Market (WESM).

*Contract information*
The Group has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

*Power Supply Agreements*
As at December 31, 2025, the Group has three (3) active Ancillary Services Procurement Agreement (ASPA) that are set to expire in 2028. The negotiations for the extension or renewal of contracts are still in process. Despite the expiring contracts, the power plants will still be used to supply power to National Grid Corporation of the Philippines (NGCP) through the Ancillary Services Procurement and the Independent Market Operator (IEMOP) via the Wholesale Electricity Spot Market (WESM). Additionally, there is an ongoing mothballing application and rehabilitation for the Misamis Occidental Power Plant I (MOPP1) facility.

On January 9, 2024, the Group was awarded by Palawan Electric Cooperative a 15MW Supply of Power in the Municipality of El Nido, Palawan. Thus, on May 11, 2024, KEGI and PALECO executed the Power Supply Agreement (PSA) with the term of fifteen years commencing from the commercial operation date (COD) in July 2026 of the conventional technology subject to the conditions as stated under Section 4 of the PSA for 15MW.

On November 25, 2023, the Group entered into a firm Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines for its MOPP2 and MOPP3.

In April 2023, the Group entered into a firm Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP) for its Surigao del Sur Power Plant (SSPP) for a term of 5 years.

The Group is continuously monitoring near-expiring contracts and is in the process of renewing and negotiating terms of the agreements. The management believes that there will be favorable outcome on the on-going negotiations despite the challenging economic outlook.

*Fuel Supply and Management Agreement*
Pursuant to the Power Supply Agreement, the Group also entered into a FSMA with Chemfour Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Parent Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

*Power Plant Operating and Maintenance Agreement*
The Gorup has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

The details of revenue and direct costs are shown below:

| | *Notes* | **2025** | 2024 | 2023 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Sale of Power | | **P 609,422,391** | P 758,644,494 | P 819,041,193 |
| | | | | |
| **DIRECT COSTS** | | | | |
| Depreciation | *5* | **P 241,779,995** | P 252,886,494 | P 277,331,866 |
| Fuel costs | | **150,190,940** | 160,829,740 | 115,749,079 |
| Operating and maintenance cost | | **74,388,085** | 102,149,827 | 145,105,367 |
| Taxes and licenses | | **33,712,275** | 36,778,387 | 38,365,673 |
| Light and water | | **19,681,252** | 16,687,485 | 19,398,237 |
| Personnel | *20* | **9,964,915** | 10,689,912 | 10,038,238 |
| Insurance | | **10,695,450** | 10,736,157 | 12,726,089 |
| NGCP domestic lease line | | **4,345,898** | 3,808,024 | 2,998,160 |
| Transmission costs | | **-** | 821,699 | 2,926,858 |
| Others | | **5,842,718** | 4,946,838 | 1,004,112 |
| | | **P 550,601,528** | P 600,334,563 | P 625,643,679 |

Others pertain to corporate social responsibility, security services, and other direct costs.

## NOTE 19 – OTHER INCOME (LOSS) / OTHER OPERATING EXPENSES

**Other Income (Loss)**
This account consists of the following:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Interest income from bank deposits | P **69,769** | P 66,420 | P 32,319 |
| Gain/(Loss) on disposal properties | ( **5,322)** | 17,643) | 32,106 |
| Gain on foreign exchange | **47,472** | 1,056,382 | 31,533 |
| Other income | **17,189,023** | - | - |
| | P **17,300,942** | P 1,105,159 | P 95,958 |

Other income pertains to income from charged-off receivables and other income from WESM operations.

**General and admin expenses**
This account consists of:

| | *Note* | | | |
|---|---|---|---|---|
| Representation | | **2,668,104** | P 8,436,240 | P 8,116,261 |
| Company events | | **1,821,716** | 619,960 | 2,394,538 |
| Postage and communication | | **1,735,218** | 1,879,958 | 3,008,216 |
| Transportation and travel | | **1,760,073** | 4,715,474 | 2,432,863 |
| Professional and legal fees | | **1,369,437** | 4,895,701 | 2,388,618 |
| Surcharge and penalties | | **1,064,309** | 48,755 | 1,811,292 |
| Business meals | | **760,289** | 1,058,219 | 1,044,971 |
| Insurance | | **696,100** | 439,820 | 887,775 |
| Rentals | *21* | **348,214** | 321,429 | 294,643 |
| Trainings and seminars | | **355,186** | 278,842 | 252,323 |
| Others | | **2,793,736** | 2,023,328 | 3,921,845 |
| | | P **15,372,382** | P 24,717,726 | P 26,553,345 |

Others pertain to bank and services charges, meals and other incidental expenses.

## NOTE 20 – EMPLOYEES' SALARIES, WAGES AND OTHER BENEFITS

This account consists of:

| | | | |
|---|---|---|---|
| Salaries and wages | P **29,405,855** | P 28,387,918 | P 26,113,214 |
| Employee benefits | **7,784,480** | 7,020,514 | 6,824,744 |
| SSS, PhilHealth and HDMF contributions | **3,477,513** | 3,121,292 | 2,746,554 |
| Provision for retirement | **5,809,991** | 1,218,451 | 1,015,328 |
| | P **46,477,839** | P 39,748,175 | P 36,699,840 |

Employees, salaries, and wages and other benefits are charged as follows:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Operating expenses | P **36,512,923** | P 29,230,368 | 26,661,602 |
| Cost of service | **9,964,916** | 10,517,807 | 10,038,238 |
| | P **46,477,839** | P 39,748,175 | 36,699,840 |

## NOTE 21 – LEASE AGREEMENTS

**The Group as Lessor**

The Group has no outstanding leases qualifying as finance lease as at reporting date. There are no rental income on operating leases in both years.

**The Group as a Lessee**

The Parent is a lessee under short term and cancellable operating leases for one of its office and parking space. The total amount of rental expense on short term lease amounted to **P348,214** in 2025, P321,429 in 2024 and P294,643 in 2023.

The Group do not have long term and noncancellable lease contracts requiring the application of PFRS 16 as at December 31, 2025, 2024 and 2023.

## NOTE 22 – TAX EXPENSE

The provision for current tax expense consist of the following:

| | | | |
|---|---|---|---|
| Tax expense – current | P **-** | P 307,939 | P 5,098,086 |
| Tax expense - deferred | ( **33,304,099)** | 5,080,710 | ( 4,606,241) |
| | (P **33,304,099)** | P 5,388,649 | P 491,845 |
| Retirement benefit obligation | P **2,084,027** | P 1,080,604 | P 4,041,152 |
| Allowance for impairment of receivables | **5,190,499** | 5,190,498 | 8,676,674 |
| Net operating loss carry-over | **39,574,139** | 7,273,483 | 6,215,387 |
| Minimum corporate income tax | **3,611,648** | 2,695,224 | - |
| | P **50,460,313** | P 16,239,809 | P 18,933,213 |

The NOLCO represents the tax benefit from income tax brought about by the excess of allowable deductions over gross income. Pursuant to Revenue Regulation 25-2020, the Group's net operating loss for the taxable year 2023 shall be carried over as a deduction from the gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

## NOTE 23 – EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings per share:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Net income (loss) | **(P 10,297,691)** | P 5,490,731 | P 7,373,842 |
| Weighted average number of shares | **26,201,298** | 25,500,000 | 25,500,000 |
| Earnings (loss) per share | **(P 0.39)** | P 0.22 | P 0.29 |

There are no potential dilutive ordinary shares for the years ended December 31, 2025, 2024 and 2023.

The weighted average number of ordinary shares used as the denominator in calculating the basic EPS as at December 31, 2025, 2024 and 2023 follows:

**2025**

| Date | Number of shares issued | Number of shares outstanding | Weighted average no. of shares |
|---|---|---|---|
| January 1, 2025 | **25,500,000** | **25,500,000** | **25,500,000** |
| March 14, 2025 | **406,000** | **25,906,000** | **338,333** |
| March 17, 2025 | **403,294** | **26,309,294** | **336,078** |
| April 23, 2025 | **40,330** | **26,349,624** | **26,887** |
| | **26,349,624** | **26,349,624** | **26,201,298** |

2024

| Date | Number of shares issued | Number of shares outstanding | Weighted average no. of shares |
|---|---|---|---|
| January 1, 2024 | 25,500,000 | 25,500,000 | 25,500,000 |
| December 31, 2024 | 25,500,000 | 25,500,000 | 25,500,000 |

2023

| Date | Number of shares issued | Number of shares outstanding | Weighted average no. of shares |
|---|---|---|---|
| January 1, 2023 | 25,500,000 | 25,500,000 | 25,500,000 |
| December 31, 2023 | 25,500,000 | | 25,500,000 |

## NOTE 24 – FINANCIAL RISK AND CAPITAL MANAGEMENT

***Financial Risk Management***

The Group has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

*Credit Risk*
Credit risk is the risk that a third party will fail to discharge its obligation to the Group and cause the Group to incur financial losses.

The Group's exposure to credit risk is inherent in the nature of its business as well as the laws and regulations governing the industry. The Group's policy is to evaluate the financial capabilities of its customers in order to determine whether the Group will be exposed to a high credit risk.

The credit risk is mitigated through periodic progress billings and collections while the debtors are still enrolled in the Group. This practice also helps the Group identify accounts which will possibly be problem accounts.

The Group reviews, on as regular basis, the aging of its receivables and identifies possible uncollectible accounts based on the profile of the receivables. An analysis of the profile of debtors is also performed monthly to evaluate the significance of the credit risk that the Group is facing.

With respect to credit risk arising from the other financial assets of the Group, which comprise mainly of cash and short-term investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the Group's customers are mainly government offices which risk for non-collection is likely to be low.

The table below shows the credit quality of financial assets as of December 31, 2025, 2024 and 2023.

| | **2025** | | | |
|---|---|---|---|---|
| | **Neither past due** | **Past Due** | | |
| | **nor impaired** | **Not impaired** | **Impaired** | **Total** |
| Financial assets: | | | | |
| Cash | **P 80,276,772** | **P -** | **P -** | **P 80,276,772** |
| Trade and other receivables | **519,476,105** | **-** | **20,861,269** | **540,337,374** |
| | **P 599,752,877** | **P -** | **P 20,861,269** | **P 620,614,146** |

| | 2024 | | | |
|---|---|---|---|---|
| | Neither past due | Past Due | | |
| | nor impaired | Not impaired | Impaired | Total |
| Financial assets: | | | | |
| Cash | P 135,444,786 | P - | P - | P 135,444,786 |
| Trade and other receivables | 567,731,242 | - | 20,861,269 | 588,592,511 |
| | P 703,176,028 | P - | P 20,861,269 | P 724,037,297 |

| | 2023 | | | |
|---|---|---|---|---|
| | Neither past due | Past Due | | |
| | nor impaired | Not impaired | Impaired | Total |
| Financial assets: | | | | |
| Cash | P 59,477,777 | P - | P - | P 59,477,777 |
| Trade and other receivables | 515,941,518 | - | 20,861,269 | 536,802,787 |
| | P 575,419,295 | P - | P 20,861,269 | P 596,280,564 |

*Credit Risk Exposure*
The table below shows the maximum exposure to credit risk of the Group as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

**As at December 31, 2025**

| | **Gross Maximum Exposure (a)** | **Fair Value and financial effect of collateral or credit enhancement (b)** | **Net Exposure (c) = (a) – (b)** |
|---|---|---|---|
| Financial assets: | | | |
| Cash | **P 80,276,772** | **P -** | **P 80,276,772** |
| Trade and other receivables | **540,337,374** | **-** | **540,337,374** |
| | **P 620,614,146** | **P -** | **P 620,614,146** |

As at December 31, 2024

| | Gross Maximum Exposure (a) | Fair Value and financial effect of collateral or credit enhancement (b) | Net Exposure (c) = (a) – (b) |
|---|---|---|---|
| Financial assets: | | | |
| Cash | P 135,444,786 | P - | P 135,444,786 |
| Trade and other receivables | 567,731,242 | - | 567,731,242 |
| | P 703,176,028 | P - | P 703,176,028 |

As at December 31, 2023

| | Gross Maximum Exposure (a) | Fair Value and financial effect of collateral or credit enhancement (b) | Net Exposure (c) = (a) – (b) |
|---|---|---|---|
| Financial assets: | | | |
| Cash | P 59,477,777 | - | P 59,477,777 |
| Trade and other receivables | 515,941,518 | - | 515,941,518 |
| | P 575,419,295 | - | P 575,419,295 |

*Liquidity Risk*
Liquidity risk is the risk that the Group will encounter difficulty in raising liquid funds to meet commitments as they fall due.

The Group's policy is to continue to fund its working capital requirements as well as capital projects through external sources. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility of its funds availability to meet expected maturing liabilities.

The outstanding unpaid loan availment from local banks as at December 31, 2025, 2024 and 2023 amounted to **P2,256,059,859**, P1,480,331,689, and P621,858,158, respectively. *(See Note 14)*

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to be contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

| **December 31, 2025** | **Total** | **On Demand** | **<3 months** | **3-12 months** | **1-5 years** | **>5 years** |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash *(Note 8)* | **P 80,276,772** | **P 80,276,772** | **P -** | **P -** | **P -** | **P -** |
| Trade and other receivables *(Note 10)* | **540,337,374** | **540,337,374** | **-** | **-** | **-** | **-** |
| | **P 620,614,146** | **P 620,614,146** | **P -** | **P -** | **P -** | **P -** |
| | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
| **Financial liabilities** | | | | | | |
| Trade and other payables *(Note 16)* | **P 707,902,881** | **358,083,871** | **P -** | **P -** | **349,819,010** | **P -** |
| Loans and borrowings *(Note 14)* | **2,256,059,859** | **-** | **322,745** | **130,688,730** | **1,386,493,770** | **738,554,613** |
| | **P 2,963,962,740** | **358,083,871** | **322,745** | **130,688,730** | **1,736,312,780** | **738,554,613** |
| **Net asset (liability)** | **(P2,343,348,594)** | **P 262,530,275** | **(P 322,745)** | **(P130,688,730)** | **(P1,736,312,780)** | **(P 738,554,613)** |

| December 31, 2024 | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash *(Note 8)* | P 135,444,786 | P 135,444,786 | P - | P - | P - | P - |
| Trade and other receivables *(Note 10)* | 567,731,242 | 567,731,242 | - | - | - | - |
| | P 703,176,028 | P 703,176,028 | P - | P - | P - | P - |
| | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
| Financial liabilities | | | | | | |
| Trade and other payables *(Note 16)* | P 909,398,833 | P 410,111,514 | P - | P - | P 499,287,319 | P - |
| Loans and borrowings *(Note 14)* | 1,480,331,689 | - | 59,375,000 | 111,581,689 | 644,618,750 | 664,756,250 |
| | P 2,389,730,522 | P 410,111,514 | P 59,375,000 | P 111,581,689 | P 1,143,906,069 | P 664,756,250 |
| Net asset (liability) | (P1,686,554,494) | P 293,064,514 | (P59,375,000) | (P111,581,689) | (P 1,143,906,069) | (P 664,756,250) |

| December 31, 2023 | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash *(Note 8)* | P 59,477,777 | P 59,477,777 | P - | P - | P - | P - |
| Trade and other receivables *(Note 10)* | 515,941,518 | 515,941,518 | - | - | - | - |
| | P 575,419,295 | P 575,419,295 | P - | P - | P - | P - |
| Financial liabilities | | | | | | |
| Trade and other payables *(Note 16)* | P 948,188,336 | P 541,793,985 | P - | P - | P 406,394,351 | P - |
| Loans and borrowings *(Note 14)* | 621,858,158 | 305,191,492 | 33,333,333 | 150,000,000 | 133,333,333 | - |
| | P 1,570,046,494 | P 846,985,477 | P 33,333,333 | P150,000,000 | P 723,733,302 | P - |
| Net asset (liability) | (P 994,627,199) | (P 271,566,182) | (P33,333,333) | (P150,000,000) | (P 723,733,302) | P - |

## *Capital Management*

The Group's objective when managing capital are to increase the value of fund available for the Group's operations and maintain growth by applying free cash flow to selective investments.

The Group's source of capital is mainly from external borrowings. The Chief Finance Officer of the Group has the overall responsibility for monitoring of capital requirements and its availability for Group operational and capital expenditures. The above capital management objective and policy did not change during the current period. The Group is not subject to externally imposed capital requirements unless required by regulatory agencies (i.e. ERC, NEA, etc.).

As at December 31, 2025, 2024 and 2023, the Parent Company's debt ratio and net debt ratio are as follows:

***Debt Ratio***

| | **2025** | 2024 | 2023 |
|---|---|---|---|
| Total debt (a) | **P 2,972,298,848** | P 2,394,052,858 | P 1,576,503,816 |
| Total equity | **3,276,612,209** | 3,180,411,645 | 3,170,854,511 |
| Total debt and equity (b) | **P 6,248,911,057** | P 5,574,464,503 | P 4,747,358,327 |
| Debt ratio (a/b) | **48%** | 43% | 33% |

***Net Debt Ratio***

| | | | |
|---|---|---|---|
| Total debt | **P 2,972,298,848** | P 2,394,052,858 | P 1,576,503,816 |
| Less: Cash | **80,276,772** | 135,444,786 | 59,477,777 |
| Net debt (a) | **2,892,022,076** | 2,258,608,072 | 1,517,026,039 |
| Total equity | **3,276,612,209** | 3,180,411,645 | 3,170,854,511 |
| Total debt and equity (b) | **P 6,168,634,285** | P 5,439,019,717 | P 4,687,880,550 |
| Debt ratio (a/b) | **47%** | 42% | 32% |

## NOTE 25 – FAIR VALUE MEASUREMENT

Set out below is a comparison of carrying value and fair value of the Group's financial instruments as of December 31, 2025, 2024 and 2023:

| | 2025 | | | |
|---|---|---|---|---|
| | **Carrying value** | | **Fair value** | |
| Financial assets | | | | |
| Cash | **P** | **80,276,772** | **P** | **80,276,772** |
| Trade and other receivables | | **540,337,374** | | **540,337,374** |
| | **P** | **620,614,146** | **P** | **620,614,146** |
| Financial liabilities | | | | |
| Trade and other payables | **P** | **707,902,881** | **P** | **707,902,881** |
| Loans and borrowings | | **2,256,059,859** | | **2,256,059,859** |
| | **P** | **2,963,962,740** | **P** | **2,963,962,740** |

| | 2024 | | | |
|---|---|---|---|---|
| | Carrying value | | Fair value | |
| Financial assets | | | | |
| Cash | P | 135,444,786 | P | 135,444,786 |
| Trade and other receivables | | 567,731,242 | | 567,731,242 |
| | P | 703,176,028 | P | 703,176,028 |
| Financial liabilities | | | | |
| Trade and other payables | P | 909,398,833 | P | 909,398,833 |
| Loans and borrowings | | 1,480,331,689 | | 1,480,331,689 |
| | P | 2,389,730,522 | P | 2,389,730,522 |

| | 2023 | | | |
|---|---|---|---|---|
| | Carrying value | | Fair value | |
| Financial assets | | | | |
| Cash | P | 59,477,777 | P | 59,477,777 |
| Trade and other receivables | | 515,941,518 | | 515,941,518 |
| | P | 575,419,295 | P | 575,419,295 |
| Financial liabilities | | | | |
| Trade and other payables | P | 948,188,336 | P | 948,188,336 |
| Loans and borrowings | | 621,858,158 | | 621,858,158 |
| | P | 1,570,046,494 | P | 1,570,046,494 |

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, trade and other receivables, trade and other payables, current portion of long-term debt approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Noncurrent portion of the loans payable are carried at the outstanding principal amounts of the loan which approximates their fair values.

## NOTE 26 – OTHER MATTERS AND SUBSEQUENT EVENTS

- Recent global geopolitical conflicts have contributed to increased volatility in international oil prices. As the Philippines relies significantly on imported petroleum products, sustained increases in global fuel prices may affect domestic inflation, transportation costs, and the overall economic environment in which the Parent Company operates.

  Management continues to monitor these developments and assess their potential impact on the Parent Company's operations. As of the date of these financial statements, the financial impact, if any, cannot yet be reasonably determined.

- On October 21, 2021, the Parent Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled "In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". This motion aimed to seek reconsideration of the ERC's decision which would affect the Parent Company's financial flow at its Camiguin Power Plant. On September 15, 2022, the ERC denied the pending motion regarding the case with CAMELCO. The Parent Company reached an amicable settlement with CAMELCO concerning its payment schedule plans. A provision for doubtful accounts amounting to P10,380,997 was recognized in 2023 *(See Note 10)*. On June 27, 2023, the ERC directed the Parent Company and CAMELCO to submit necessary documents. Consequently, the Parent Company complied with the ERC directives in August 2023. As of December 31, 2025, the Parent Company is still awaiting resolution. The management will continue to assess the collectability of the account and may consider writing-off the amount in the future.

- The Parent Company is facing expiring contracts that will affect its cash inflows. To address this, the Parent Company has actively pursued the renewal of expiring Power Supply Agreements and entered into new ones *(See Note 18)*. In 2023, the Parent Company signed a firm Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines for its MOPP2 and MOPP3. Additionally, the Parent Company participated in the Competitive Selection Process for the 15MW Supply of Power in the Municipality of El Nido, Palawan. A Notice of Award was issued on January 9, 2024, by Palawan Electric Cooperative (PALECO) to KEGI, in accordance with the Bidding Procedures and Guidelines for the conduct of the Competitive Selection Process. The 15MW Contracted Capacity has a 15-year term. Joint Application for the Approval of the Power Supply Agreement between PALECO and KEGI has been filed with the ERC last November 20, 2024 under ERC Case No. 2024-156 RC entitled: "In the Matter For the Approval of the Power Supply Agreement Between King Energy Generation Inc. (KEGI) and Palawan Electric Cooperative (PALECO), with prayer for Provisional Authority and Motion for Confidential Treatment of Information". The case was submitted for ERC resolution.

  As of December 31, 2025, there is an on-going mothballing application and rehabilitation of the facilities in its MOPP1.

The Parent Company's MOPP2 also supplies power to the Independent Market Operator (IEMOP) through the Wholesale Electricity Spot Market (WESM) and the National Grid Corporation of the Philippines through Ancillary Services Procurement Agreement (ASPA).

- On February 20, 2024, the Parent Company filed a case through a third party counsel against Misamis Oriental II Electric Service Cooperative Inc. (MORESCO II) which was docketed by the Energy Regulatory Commission (ERC) as ERC Case No. 2024-002 DR, entitled "In the Matter of the Petition to Dispute Resolution On the Interpretation of the Closing Date of the Power Supply Agreement Dated May 24, 2011 Between King Energy Generation Inc. and Misamis Oriental II Electric Service Cooperative Inc." As of December 31, 2025, KEGI is awaiting the issuance by the ERC of its Resolution of the case.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated to offer or sell to the public a portion of not less than 15% of their common stock.

  As of November 13, 2024, the Securities and Exchange Commission – Market and Securities Regulation Department issued in favor to KEGI a Certificate of Permit to Offer Securities for Sale certifying that the securities of KEGI consisting of 4.5 Million Shares with a par value of Php 100 per share, to be offered at P123.98 per share, covered under SEC MSRD Order No., 101, Series of 2024, have been registered pursuant to the requirements of Sections 8 and 12 of the Securities and Regulation Code.

- ***Subsequent Event – Suspension of WESM Operations***
  Subsequent to the reporting date, the Energy Regulatory Commission (ERC) announced the temporary suspension of operations of the Wholesale Electricity Spot Market (WESM) across the Luzon, Visayas, and Mindanao grids, following the declaration of a state of national energy emergency under Executive Order No. 110 due to global oil supply disruptions and resulting price volatility. The suspension took effect at 12:05 a.m. on March 26, 2026.

  During the suspension period, the power system operates under Special Operating Guidelines issued by the Department of Energy, and a Modified Administered Pricing mechanism is being implemented to determine electricity prices based on technology-specific considerations and prevailing fuel costs.

  The Company participates in WESM as part of its power sales activities. Management is currently evaluating the implications of these developments on its revenue recognition, pricing mechanisms, and related balances, including receivables and payables arising from electricity sales and purchases.

  As of the date of these financial statements, the financial impact of the suspension and the implementation of alternative pricing mechanisms cannot yet be reasonably determined.

- CHPC and SHPC have not yet started its commercial operations in 2025.

- Balances, of certain accounts have been restated from amounts previously reported to give retroactive effect concerning transactions in the prior year as follows:

| | 2024 | Adjustments | 2024 *(As Restated)* |
|---|---|---|---|
| Statement of Financial Position (extract) | | | |
| *Liabilities* | | | |
| Generation plant, property and equipment | P 4,557,581,310 | (P 4,456,782) | P 4,553,124,528 |
| Deferred tax asset | 15,030,146 | 1,209,663 | 16,239,809 |
| | 4,572,611,456 | ( 3,247,119) | 4,569,364,337 |
| Retained Earnings, January 1, 2024 | 251,264,279 | ( 3,162,280) | 248,101,999 |
| | P 4,321,347,177 | (P 84,839) | P 4,321,262,338 |
| Statement of Comprehensive Income (extract) | | | |
| *Expense* | | | |
| Professional and legal fees | P 4,876,692 | P 19,009 | P 4,895,701 |
| Research and development | 17,453,120 | 479,317 | 17,932,437 |
| Other operating expenses | 2,017,722 | 5,606 | 2,023,328 |
| Deferred tax expense | 5,499,803 | ( 419,093) | 5,080,710 |
| | P 29,847,337 | P 84,839 | P 29,932,176 |

| | 2023 | Adjustments | 2023 *(As Restated)* |
|---|---|---|---|
| Statement of Financial Position (extract) | | | |
| *Liabilities* | | | |
| Accrued expenses | 20,529,672 | 1,811,292 | 22,340,964 |
| | P 20,529,672 | P 1,811,292 | P 22,340,964 |
| Statement of Comprehensive Income (extract) | | | |
| *Expenses* | | | |
| General and admin expenses | 24,742,053 | 1,811,292 | 26,553,345 |
| | P 24,742,053 | P 1,811,292 | P 26,553,345 |

- The Group's financial statements as at December 31, 2025 were approved and authorized for issue by the board of directors on April 13, 2026 and were signed on its behalf by Engr. Edelyn Jane A. Salvame, the President.

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
KEGI Bldg. Purok 10 Tablon, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC. AND SUBSIDIARIES** (the Group) as at December 31, 2025, 2024 and 2023, and for each of the three years in the period ended December 31, 2025, 2024, and 2023, included in this Form 17-A, and have issued our report thereon dated April 13, 2026 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 Group'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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

**BACONGA PATRIANA & CO.**
**By:**

**JESERIO C. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
Partner's SEC No. 123245-SEC, January 1, 2025 to December 31, 2025

Firm BOA/PRC Cert. of Reg. No. 2431, October 9, 2023 to October 8, 2026
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Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE A - FINANCIAL ASSETS**

**CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS**

**December 31, 2025**

| Name of Issuing Entity and Description of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Statement of Financial Position/Notes | Value Baed on Market Quotations at End of reporting Period | Income Received and Accrued |
|---|---|---|---|---|
| At amortized cost: | | | | |
| Cash and cash equivalents | - | 80,276,772 | 80,276,772 | 69,769 |
| Trade and other receivables: | | | | |
| Receivable from customers | - | 430,019,063 | 430,019,063 | - |
| Due from related parties | - | - | - | - |
| Advances to contractors and suppliers | - | 109,066,911 | 109,066,911 | - |
| Advances to officers and employees | - | 1,251,400 | 1,251,400 | - |
| | | 620,614,146 | 620,614,146 | 69,769 |
| Total Financial assets | | **620,614,146** | **620,614,146** | **69,769** |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

**December 31, 2025**

| Name of Issuing Entity and Description of Each Issue | Balance at Beginning of Period | Additions | Collections | Write Offs | Balance at the End of Period | | |
|---|---|---|---|---|---|---|---|
| | | | | | Current | Noncurrent | Total |
| - Not applicable - | | | | | | | - |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

**December 31, 2025**

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Collections | Write Offs | Balance at the End of Period | | |
|---|---|---|---|---|---|---|---|
| | | | | | Current | Noncurrent | Total |
| Maramag Mini Hydro Power Corporation | 180,557,904 | 9,790,929 | 6,936,122 | - | 183,412,711 | - | 183,412,711 |
| Calatngan Hydro Power Corporation | 1,217,959 | 13,330 | - | - | 1,231,289 | - | 1,231,289 |
| Sulipat Hydro Power Corporation | 8,156,724 | 253,756 | - | - | 8,410,480 | - | 8,410,480 |
| | **189,932,587** | **10,058,015** | **6,936,122** | - | **193,054,480** | - | **193,054,480** |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS**

**December 31, 2025**

| Description | Beginning Balance | Additions at cost | Collections | Charged to Cost and Expenses | Charged to Other Accounts | Other Changes - Additions | Ending Balance |
|---|---|---|---|---|---|---|---|
| - Not applicable - | | | | | | | |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE E - LONG-TERM DEBT**

**December 31, 2025**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Current Portion pf Long-Term Debt | Long-Term Debt |
|---|---|---|---|
| Loans and borrowings | | 131,222,920 | 2,124,836,939 |
| | | **131,222,920** | **2,124,836,939** |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**December 31, 2025**

| Name of Issuing Entity of Securities Guaranteed by the Company for which the Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which Statement is Filed | Nature of Guarantee |
|---|---|---|---|---|
| - Not applicable - | | | | |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**

**December 31, 2025**

| Name of Related Party | Balance at Beginning of Period | Balance at End of Period |
|---|---|---|
| - Not applicable - | | |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**

**SCHEDULE H - CAPITAL STOCK**

**December 31, 2025**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption | Number of Shares Reserved for Options, Warrants, Conversion and Other Rights | Affiliates | Directors and Officers | Others |
|---|---|---|---|---|---|---|
| Capital Stock | 30,000,000 | 26,349,624 | 218,000 | - | 25,282,000 | 218,000 |
| | 30,000,000 | 26,349,624 | 218,000 | - | 25,282,000 | 218,000 |

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

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9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City

We have examined the financial statements of **KING ENERGY GENERATION, INC. AND SUBSIDIARIES** for the year then ended December 31, 2025, on which we have rendered the attached report dated April 13, 2026.

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC. AND SUBSIDIARIES** (the Group) as at December 31, 2025, 2024 and 2023, and for each of the three years in the period ended December 31, 2025, 2024 and 2023, and have issued our report thereon April 13, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Parent Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS Accounting Standards) 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 PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Parent Company's financial statements as at December 31, 2025, 2024 and 2023 and for each of the three years in the period ended December 31, 2025, 2024 and 2023 and no material exceptions were noted. In compliance with SRC rule 68, we are stating that the said Parent Company has a total number of 35 stockholder owning 100 or more shares each.

**BACONGA PATRIANA & CO.**
**By:**

**JESERIO G. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
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Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

| Ratio | Formula | | | 2025 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| Current Ratio | Total Current Assets divided by Total Current Liabilities | | | | | |
| | Total Current Assets | P | 972,202,891 | | | |
| | Divide by: Total Current Liabilities | | 489,306,791 | | | |
| | Current Ratio | | 1.99 | 199% | 171% | 105% |
| Acid Test Ratio | Quick Assets *(Total Current Assets less Materials and Supplies and Prepayments and ther Current Assets)* divided by Total Current Liabilities | | | | | |
| | Total Current Assets | P | 972,202,891 | | | |
| | Less: Materials and Supplies | | (54,730,900) | | | |
| | Prepayments and Other Current Assets | | (317,719,114) | | | |
| | Quick Assets | | 599,752,877 | | | |
| | Divide by: Total Current Liabilities | | 489,306,791 | | | |
| | Acid Test Ratio | | 1.23 | 123% | 121% | 73% |
| Solvency Ratio | Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities | | | | | |
| | Total Comprehensive income | P | (9,135,820) | | | |
| | Add: Depreciation and Amortization | | 273,451,388 | | | |
| | | | 264,315,568 | | | |
| | Divide by: Total Liabilities | | 2,972,298,848 | | | |
| | Solvency Ratio | | 0.09 | 9% | 12% | 20% |
| Debt-to-Equity Ratio | Total Liabilities divided by Total Equity | | | | | |
| | Total Liabilities | P | 2,972,298,848 | | | |
| | Divide by: Total Equity | | 3,276,612,209 | | | |
| | Debt-toEquity Ratio | | 0.91 | 91% | 75% | 50% |
| Asset-to-Equity Ratio | Total Assets divided by Equity Attributable to Parent | | | | | |
| | Total Assets | P | 6,248,911,057 | | | |
| | Divide by: Equity Attributable to Parent | | 3,232,453,691 | | | |
| | | | 1.93 | 193% | 177% | 151% |
| Interest Rate Coverage Ratio | Earnings before Income Tax, Depreciation and Amortization *(Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortixation less Interest Income)* divided by Interest Expense | | | | | |
| | Net Income | P | (10,297,691) | | | |
| | Add: Provision for Income Tax | | - | | | |
| | Interest Expense | | 12,623,398 | | | |
| | | | 2,325,707 | | | |
| | Less: Interest Income | | (69,769.00) | | | |
| | EBIT | | 2,255,938 | | | |
| | Add: Depreiation and Amortization | | 273,451,388 | | | |
| | EBITDA | | 275,707,326 | | | |
| | Divide by: Interest Expense | | 12,623,398 | | | |
| | Interest Expense Coverage Ratio | | 21.84 | 21.84 | 1882% | 901% |

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

| Ratio | Formula | | | 2025 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| Return on Equity | Total Comprehensive Income divided by Average Total Equity<br>*(Total Equity PY + Total Equity CY divided by 2)* | | | | | |
| | Total Comprehensive Income | P | **(9,135,820)** | | | |
| | Total Equity CY | | **3,276,612,209** | | | |
| | Total Equity PY | | **3,180,411,645** | | | |
| | Average Total Equity | | **3,228,511,927** | | | |
| | Return on Equity | | **(0.00)** | 0% | 0% | 0% |
| Return on Assets | Total Comprehensive Income divided by Average Total Assets<br>*(Total Assets PY + Total Assets CY divided by 2)* | | | | | |
| | Total comprehensive Income | P | **(9,135,820)** | | | |
| | Total Assets CY | | **6,248,911,057** | | | |
| | Total Assets PY | | **5,574,464,503** | | | |
| | Average Total Assets | | **5,911,687,780** | | | |
| | Return on Assets | | **(0.00)** | 0% | 0% | 0% |
| Net Profit Margin | Net Income Attribiutable to Parent divided by Revenue | | | | | |
| | Net Income Attributable to Parent | P | **(15,881,671)** | | | |
| | Divide by: Revenue | | **609,422,391** | | | |
| | Net Income Margin | | **(0.03)** | -3% | 1% | 1% |

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

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NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
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Don Apolinar Velez Street.
9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

# REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC. AND SUBSIDIARIES** as at December 31, 2025, 2024 and 2023 and for the years then ended, and have issued our report thereon dated April 13, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule on the *Reconciliation of the Unappropriated Retained Earnings Available for Dividend Declaration of the Company* for the year ended December 31, 2025 for submission to the Securities and Exchange Commission are the responsibility of the Group's management.

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**BACONGA PATRIANA & CO.**
By:

**JESERIO G. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
Partner's SEC No. 123245-SEC, January 1, 2025 to December 31, 2025

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Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**For the reporting period ended December 31, 2025**

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
**KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City**

| | | | AMOUNTS |
|---|---|---|---|
| **Unappropriated Retained Earnings, as of January 1, 2025** | | | **₱ 252,118,635** |
| Add: | **Category A: Items that are directly credited to Unappropriated Retained Earnings** | | |
| | Reversal of Retained Earnings Appropriation/s | - | |
| | Effect of restatements or prior-period adjustments | - | |
| | Others | - | - |
| Less: | **Category B: Items that are directly debited to Unappropriated Retained Earnings** | | |
| | Dividend declaration during the reporting period | - | |
| | Retained Earnings appropriated during the reporting period | - | |
| | Effect of restatements or prior-period adjustments | - | |
| | Others | - | - |
| **Unappropriated Retained Earnings, as adjusted** | | | **252,118,635** |
| **Add/Less: Net Income (loss) for the current year** | | | **(15,881,671)** |
| **Less:** | **Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)** | | |
| | Equity in net income of associate/joint venture, net of divedends declared | - | |
| | Unrealized foreign exchange gain, except those attributable to cash and cash equivalents | - | |
| | Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | - | |
| | Unrealized fair value gain of Investment Property | - | |
| | Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under the PFRS | - | |
| | Sub-total | | - |
| **Add:** | **Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)** | | |
| | Realized foreign exchange gain, except those attributable to Cash and cash equivalents | - | |
| | Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | - | |
| | Realized fair value gain of Investment Property | - | |
| | Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | - | |
| | Sub-total | | - |
| **Add:** | **Category C.3: Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)** | | |
| | Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents | - | |
| | Reversal of previously recorded fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | - | |
| | Reversal of previously recorded fair value gain of Investment Property | - | |
| | Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded | - | |
| | Sub-total | | - |
| **Adjusted Net Income/Loss** | | | **(15,881,671)** |

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**For the reporting period ended December 31, 2025**

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
**KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City**

| | | | AMOUNTS |
|---|---|---|---|
| **Add:** | **Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)** | | |
| | Depreciation on revaluation increment (after tax) | - | |
| | Sub-total | | - |
| **Add/Less:** | **Category E: Adjustments related to relief granted by the SEC and BSP** | | |
| | Amortization of the effect of reporting relief | - | |
| | Total amount of reporting relief granted during the year | - | |
| | Others | - | |
| | Sub-total | | - |
| **Add/Less:** | **Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution** | | |
| | Net movement of treasury shares (except for reacquisition of redeemable shares) | - | |
| | Net movement of deferred tax asset not considered in the reconciling items under the previous categories | (34,220,504) | |
| | Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set-up of service concession asset and concession payable | - | |
| | Adjustment due to deviation from PFRS/GAAP - gain (loss) | - | |
| | Others | - | |
| | Sub-total | | (34,220,504) |
| **Total Retained Earnings, end of the reporting period available for dividend** | | **₱** | **202,016,460** |

# COVER SHEET

**for**

**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

| C | S | 2 | 0 | 1 | 0 | 1 | 9 | 6 | 9 | 3 |
|---|---|---|---|---|---|---|---|---|---|---|

Tax Identfication Number

| 0 | 0 | 7 | ■ | 9 | 3 | 5 | ■ | 6 | 2 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|

**Company Name**

KING ENERGY GENERATION, INC.

**Principal Office ( No./Street/Barangay/City/Town)Province)**

KEGI BLDG., PUROK 10 TABLON,

CAGAYAN DE ORO CITY

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AFS | SEC | NA |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| kegi@kingenergy.info | 227-7104 | 09178024216 |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 35 | March 11 | December 31 |

## CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| ENGR. GILBERT J. RODRIGUEZ | grj033@yahoo.com | 227-7104 | NA |

Contact Person's Address

B10L5 PROMISE LAND SUBD. TAGOLOAN MIS OR

**Note**: 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.

# KING ENERGY GENERATION, INC.

KEGI Bldg., Tablon, Cagayan de Oro City

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- **INDEPENDENT AUDITOR'S REPORT**
- **FINANCIAL STATEMENTS**
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- **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL SOUNDNESS INDICATORS**
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**BP&Co.**
**BACONGA PATRIANA & Co.**
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC.**
KEGI Bldg. Purok 10 Tablon, Cagayan de Oro City

We have examined the financial statements of **KING ENERGY GENERATION, INC.** for the year then ended December 31, 2025, on which we have rendered the attached report dated April 13, 2026.

In compliance with SRC rule 68, we are stating that the said Company has a total number of 35 stockholder owning 100 or more shares each.

**BACONGA PATRIANA & CO.**
**By:**

**JESERIO C. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
Partner's SEC No. 123245-SEC, January 1, 2025 to December 31, 2025

Firm BOA/PRC Cert. of Reg. No. 2431, October 9, 2023 to October 8, 2026
Firm CDA No. 27-AF, April 16, 2024 to April 15, 2029
Firm NEA Accreditation No. 2026-01-00117, January 19, 2026 to January 18, 2029
Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
KEGI Bldg, Purok 10 Tablon, Cagayan De Oro City
Cellular No.: 0917-714-0584
Telephone No.: (088) 857-6368
Email: kegi@kingenergy.info
Website: www.kingenergy.info

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KING ENERGY GENERATION, INC.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**BACONGA PATRIANA & CO.,** the independent auditors appointed by the stockholders for the years ended December 31, 2025, 2024 and 2023, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**MS. EDELYN JANE SALVAME**
CHIEF EXECUTIVE OFFICER / CHAIRMAN

**MS. JODETTE P. ELLO**
CHIEF FINANCIAL OFFICER / TREASURER

Signed this APR 13 2026 day of _____, 2026.

**SUBSCRIBED AND SWORN TO,** before me, this APR 13 2026 day of _____ 2026, Affiant exhibited to me her Community Tax Certificate/Passport No. as follows:

| Names | CTC/Passport No. | Date of Issue | Place of Issue |
|---|---|---|---|
| Edelyn Jane Salvame | DL NO. N04-08-001601 | | |
| Jodette Ello | DL NO. K02-13-001920 | | |

Doc. No. : 433
Page No. : 86
Book No. : XXXIII
Series of 2026

ATTY. MARTES F. SANGUAL
NOTARY PUBLIC NO. 2025-62 UNTIL DECEMBER 31, 2026
IBP NO. 505000; 12/11/25 FOR 2026; MIS. OR.
PTR NO. 4706334-B; 01/06/26; MIS. OR.
ROLL NO. 60155; 03/22/2012
MCLE Compliance No. VIII-0010364; 07/10/24
TIN No. 418-205-315-000

BUWIS RENTAS INTERNAS DSK2025 06338773

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
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6th Floor TTK Tower
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Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC.**
KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of **KING ENERGY GENERATION, INC.** ("the Parent Company"), which comprise the statements of financial position as at December 31, 2025, 2024, and 2023, and the statements of comprehensive income, changes in equity and 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 **KING ENERGY GENERATION, INC.** as at December 31, 2025, 2024, 2023, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

### *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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines,* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matter*

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

We have fulfilled the responsibilities described in the *Auditors' 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, included in the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statement.

*Revenue Recognition from Sale of Power*
The Parent Company's revenue from the sale of power arises from its service contracts to the customers comprising mainly from electric cooperatives and government agencies located within its franchise areas. This matter is significant to our audit because the revenue recognized depends on the contract with the electric cooperatives and government agencies which normally includes fixed rates and variable rates. The variable component depends on the electric consumption captured based on meter readings, as obtained on various meter reading dates and is computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers and reliability of the billing system in processing transactions. Disclosures related to this matter are provided in Notes 3 and 18 to the financial statements.

*Audit Response*
We obtained an understanding of the revenue recognition process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on the contracts and on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated and tested the design of the relevant controls over these processes. We also performed test recalculation of billed amounts using the contract and ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Parent 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Parent 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.

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

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 therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extreme rare circumstances, we determine that a matter should not be communicated in our report because of 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 auditors' report is Jeserio G. Lonon Jr.

**BACONGA PATRIANA & CO.**
**By:**

**JESERIO G. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
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Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**KING ENERGY GENERATION, INC.**

**STATEMENTS OF COMPREHENSIVE INCOME**
**For the Years Ended December 31, 2025, 2024 and 2023**

| | *Notes* | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| **SALE OF POWER** | *18* | **P 545,460,524** | P 699,698,246 | P 779,621,152 |
| **COST OF SERVICE** | *18* | **516,871,490** | 566,413,224 | 603,767,659 |
| **GROSS INCOME** | | **28,589,034** | 133,285,022 | 175,853,493 |
| **OPERATING EXPENSES** | | | | |
| Employees salaries, wages, and other benefits | *19* | **35,921,310** | 28,506,326 | 26,047,760 |
| Depreciation | *5* | **29,882,218** | 28,588,450 | 25,747,474 |
| Security services | | **6,039,702** | 6,772,573 | 7,647,012 |
| Taxes and licenses | | **3,593,107** | 2,001,124 | 4,277,996 |
| Consulting services | | **3,342,962** | 6,515,415 | 8,851,000 |
| Gas, oil and lubricants | | **2,810,222** | 7,110,871 | 6,594,881 |
| Repairs and maintenance | | **2,752,583** | 4,144,434 | 4,038,994 |
| Research and development | | **2,071,851** | 17,932,437 | 16,231,251 |
| IT services | | **960,000** | 1,035,000 | 1,370,000 |
| Light, power and water | | **943,898** | 1,057,623 | 1,174,150 |
| Provision for impairment losses | *10* | **-** | - | 10,380,997 |
| General and admin expenses | *20* | **13,593,327** | 22,160,650 | 21,411,289 |
| | | **101,911,180** | 125,824,903 | 133,772,804 |
| **OPERATING INCOME (LOSS) BEFORE FINANCE INCOME AND FINANCE COST** | | **(73,322,146)** | 7,460,119 | 42,080,689 |
| Interest and other income | *18* | **17,296,237** | 1,100,318 | 91,080 |
| Finance cost | *14* | **(28,792)** | - | (27,332,297) |
| | | **17,267,445** | 1,100,318 | (27,241,217) |
| **INCOME (LOSS) BEFORE OTHER EXPENSE** | | **(56,054,701)** | 8,560,437 | 14,839,472 |
| Share in net loss of associate | *6* | **-** | - | (4,150,684) |
| **INCOME (LOSS) BEFORE TAX EXPENSE** | | **(56,054,701)** | 8,560,437 | 10,688,788 |
| **TAX EXPENSE (BENEFIT)** | *22* | | | |
| Current | | **-** | - | 6,548,186 |
| Deferred | | **(36,174,580)** | 5,228,609 | (6,804,829) |
| | | **(36,174,580)** | 5,228,609 | (256,643) |
| **NET INCOME (LOSS)** | | **(19,880,121)** | 3,331,828 | 10,945,431 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Actuarial gain on retirement liabilities | *15* | **1,161,871** | 2,941,403 | (654,445) |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **P (18,718,250)** | P 6,273,231 | P 10,290,986 |
| **EARNINGS PER SHARE** | *23* | **P (0.76)** | P 0.13 | P 0.43 |

*(The notes on pages 8 to 56 are integral parts of these financial statements)*

**KING ENERGY GENERATION, INC.**

**STATEMENTS OF EQUITY**
**For the Years Ended December 31, 2025, 2024 and 2023**

| | Notes | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| **CAPITAL STOCK** | *13* | | | |
| *Authorized - 30 Million shares in 2025, 2024 and 2023* | | | | |
| *Subscribed and issued - 26,349,624 shares in 2025 and 25,500,000 shares in 2024 and 2023* | | | | |
| Balance, January 1 | | **P 2,571,800,000** | P 2,571,800,000 | P 2,571,800,000 |
| Additional subscriptions during the year | *13* | **84,962,400** | - | - |
| Balance, December 31 | | **2,656,762,400** | 2,571,800,000 | 2,571,800,000 |
| **TREASURY SHARES** | *13* | | | |
| *218,000 shares in 2025, 2024 and 2023* | | **(21,800,000)** | (21,800,000) | (21,800,000) |
| **SHARE PREMIUM** | | | | |
| Balance, January 1 | | **337,469,946** | 337,469,946 | 337,469,946 |
| Additions during the period | | **20,373,984** | - | - |
| Balance, December 31 | | **357,843,930** | 337,469,946 | 337,469,946 |
| **RETAINED EARNINGS** | | | | |
| Balance, January 1 | | **267,981,822** | 264,649,994 | 253,704,563 |
| Net income | | **(19,880,121)** | 3,331,828 | 10,945,431 |
| Balance, December 31 | | **248,101,701** | 267,981,822 | 264,649,994 |
| **CUMULATIVE REMEASUREMENT GAIN (LOSS) ON RETIREMENT LIABILITY** | | | | |
| Balance, January 1 | | **2,248,526** | (692,877) | (38,432) |
| Other comprehensive income (loss) | *15* | **1,161,871** | 2,941,403 | (654,445) |
| Balance, December 31 | | **3,410,397** | 2,248,526 | (692,877) |
| **TOTAL EQUITY** | | **P 3,244,318,428** | P 3,157,700,294 | P 3,151,427,063 |

*(The notes on pages 8 to 56 are integral parts of these financial statements)*

**KING ENERGY GENERATION, INC.**

**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31, 2025, 2024 and 2023**

| | *Notes* | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before tax expense | | **P (56,054,701)** | P 8,560,437 | P 10,688,788 |
| Adjustments for: | | | | |
| Depreciation | *5* | **253,151,294** | 262,988,121 | 292,765,630 |
| Provision for impairment of receivables | *10* | **-** | - | 10,380,997 |
| Provision for retirement expense | *19* | **5,809,991** | 1,218,451 | 1,015,328 |
| Loss on investment with associate | *6* | **-** | - | 4,150,684 |
| Finance cost | *14* | **28,792** | - | 27,332,297 |
| Loss (gain) on disposal and property damages | *5* | **5,322** | 17,643 | (32,107) |
| Prior period adjustment | | **-** | 10,022,886 | - |
| Operating income before working capital changes | | **202,940,698** | 282,807,538 | 346,301,617 |
| Decrease (increase) in assets | | | | |
| Trade and other receivables | | **43,815,866** | (59,431,772) | 6,415,511 |
| Inventories and prepayments and other current assets | | **(73,145,449)** | (48,084,176) | (82,526,450) |
| Increase (decrease) in liabilities | | | | |
| Trade and other payables | | **(205,068,241)** | (46,421,473) | (18,171,143) |
| Cash flows from operating activities | | **(31,457,126)** | 128,870,117 | 252,019,535 |
| Retirement benefits paid | *15* | **(634,348)** | (412,035) | (22,479) |
| Income tax paid | | **(7,052,154)** | (9,503,832) | (12,811,241) |
| Net cash flows from operating activities | | **(39,143,628)** | 118,954,250 | 239,185,815 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | |
| Acquisition of generation plant, property and equipment | *5* | **(937,148,739)** | (924,943,911) | (5,826,791) |
| Proceeds from disposal of asset | *5* | **-** | 6,450 | 54,020 |
| Additional investment in subsidiary | *7* | **-** | - | (6,186,700) |
| Additions to other noncurrent assets | *8* | **-** | (8,010,000) | - |
| Net cash flows used in investing activities | | **(937,148,739)** | (932,947,461) | (11,959,471) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Availment of loans and borrowings | *14* | **946,734,575** | 1,100,000,000 | - |
| Payment on loans and borrowings | *14* | **(133,506,405)** | (204,026,469) | (204,203,016) |
| Payment for finance cost | *14* | **(28,792)** | - | (27,332,297) |
| Additional issuance of shares | *13* | **84,962,400** | - | - |
| Share premium | *13* | **20,373,984** | - | - |
| Net cash flows from financing activities | | **918,535,762** | 895,973,531 | (231,535,313) |
| **NET INCREASE (DECREASE) IN CASH IN BANKS** | | **(57,756,605)** | 81,980,320 | (4,308,969) |
| **CASH IN BANKS, January 1** | | **128,668,161** | 46,687,841 | 50,996,810 |
| **CASH IN BANKS, December 31** | | **P 70,911,556** | P 128,668,161 | P 46,687,841 |

*(The notes on pages 8 to 56 are integral parts of these financial statements)*

## NOTE 1 – CORPORATE INFORMATION

**King Energy Generation, Inc.** (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Parent Company's registered office and its principal place of business is KEGI Bldg. Purok 10 Tablon, Cagayan de Oro City, Misamis Oriental. The Parent Company is domiciled in the Philippines.

The Parent Company has the following subsidiaries as at December 31, 2025, 2024 and 2023:

| | **2025** | | |
|---|---|---|---|
| | **Percentage of Ownership** | | |
| **Name of Subsidiary** | **Direct** | **Indirect** | **Total** |
| Maramag Mini Hydro Power Corporation [a] | **42.70%** | **37.30%** | **80%** |
| Sulipat Hydro Power Corporation [b] | **85%** | **-** | **85%** |
| Calatngan Hydro Power Corporation [b] | **80%** | **-** | **80%** |

| | 2024 | | |
|---|---|---|---|
| | Percentage of Ownership | | |
| Name of Subsidiary | Direct | Indirect | Total |
| Maramag Mini Hydro Power Corporation [a] | 42.70% | 37.30% | 80% |
| Sulipat Hydro Power Corporation [b] | 85% | - | 85% |
| Calatngan Hydro Power Corporation [b] | 80% | - | 80% |

*[a] Have just started its commercial operation on May 2023. Common stockholders between the parent and subsidiary were present, but control was established only in 2023.*

*[b] Have not yet started its commercial operations.*

All of the above subsidiaries are incorporated in the Philippines.

**Subsidiaries**

***Maramag Mini Hydro Power Corporation (MMHPC)***
MMHPC was incorporated and registered with the SEC on June 07, 2013, primarily to make, generate, sell, and supply electricity through the exploration, development, and utilization of Hydro Renewable Sources of energy and technologies, among others. The Subsidiary have just started its commercial operations on May 2023. The Parent's control of MMHPC was established only in 2023 when MMHPC started its commercial operation.

***Sulipat Hydro Power Corporation (SHPC)***
SHPC was incorporated and registered with the SEC on September 3, 2022, with a primary purpose to undertake the exploration, development, and utilization of renewable energy and technologies. Also, the Subsidiary has a purpose to build and construct electric generating plants, among others, in the furtherance of such power generation services. SHPC has not yet started its commercial operations.

***Calatngan Hydro Power Corporation (CHPC)***
CHPC was incorporated and registered with the SEC on December 13, 2022, primarily to carry on the business of exploration, development, and utilization of renewable energy and technologies. CHPC also has a purpose to construct, maintain, operate, and to sell, among others, electric plants, lands, building structures and equipment, and any other real property. SHPC has not yet started its commercial operations.

## NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**Basis of Preparation**
The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

***Statement of Compliance***
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) Accounting Standards. The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

***Basis of measurement and presentation***
The financial statements of the Parent Company have been prepared using the historical cost basis, except for agricultural produce which is measured at fair value less cost to sell at the point of harvest. These financial statements are presented in Philippine Peso, which is the Parent Company's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

***Use of Judgments and Estimates***
The preparation of financial statements in compliance with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Parent Company's management to exercise judgment in applying the Parent Company's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

**Changes in accounting policies and disclosures**
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. 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 an impact on the Company's financial statements.

- *Amendments to PAS 21 — Lack of Exchangeability*

  The amendments clarify:

  - How to determine when a currency is exchangeable; and
  - How to estimate the spot exchange rate when exchangeability is lacking.

  The Company's operations are primarily denominated in Philippine Peso. Foreign currency exposures, if any, are not significant.

  Management assessed the amendments and determined that:

  - There were no instances during the year where exchangeability of a currency was lacking; and
  - The adoption of the amendments did not have a material impact on the Bank's financial statements.

  No significant additional disclosures were required as a result of adoption.

- *PFRS 17, Insurance Contracts*

  PFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

  The Company does not issue insurance contracts within the scope of PFRS 17. Accordingly, the adoption of this standard did not have any impact on the Bank's financial statements.

***Effective in 2026***

*Amendments to PFRS 9 and PFRS 7 — Classification and Measurement of Financial Instruments*
An entity is required to adopt the amendments beginning on January 1, 2026. These amendments:

- Clarify the assessment of contractual cash flow characteristics (SPPI test);
- Provide guidance on financial assets with contingent or ESG-linked features; and
- Introduce enhanced disclosure requirements.

The Company's financial assets consist primarily of loans receivables, other receivables, and cash and cash equivalents.

Management is currently evaluating the impact of these amendments, particularly on:

- Loans with variable interest rates or contingent payment features;
- Restructured or modified loans; and
- Related disclosure requirements.

Based on preliminary assessment, the Company does not expect significant changes in classification of its loan portfolio. The amendments are not expected to materially affect the Company's expected credit loss (ECL) methodology under PFRS 9. However, additional disclosures may be required upon adoption.

*Amendments to PFRS 9 and PFRS 7 — Contracts Referencing Nature-dependent Electricity*
These amendments address accounting for certain renewable electricity contracts.

The Company does not enter into such contracts in the normal course of business. Accordingly, these amendments are not expected to have any impact on the financial statements.

*Annual Improvements to PFRS Accounting Standards — Volume 11*
These include minor amendments to various standards. The Company does not expect the adoption of these amendments to have a material impact on its financial statements.

***Effective in 2027***

*PFRS 18 Presentation and Disclosures in Financial Statements*
PFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

PFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Company believed that the new issuance, once adopted in the Philippines, may have an impact on its financial statements in future periods.

*PFRS 19 Subsidiaries without Public Accountability: Disclosures*
PFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

PFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply PFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply PFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply PFRS 19 for a reporting period earlier than the reporting period in which it first applies PFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to PFRS 19. If an entity elects to apply PFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in PFRS 19 with regard to Lack of Exchangeability.

The Company believed that the new issuance, once adopted in the Philippines, will not have a significant impact on its financial statements in future periods.

***Deferred effectivity***

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

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

**Separate Financial Statements and Investments in Subsidiaries**

These financial statements are prepared as the Parent Company's separate financial statements. The Parent Company also prepares consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

The Parent Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

**Financial Instruments**

*PFRS 9, Financial Instruments*

The Parent Company adopted PFRS 9 (2014) effective January 1, 2018, the date of adoption. This new standard on financial instruments replaced PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities and hedge accounting under PFRS 9, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and
- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The adoption of PFRS 9 (2014) from January 1, 2018 resulted to changes in accounting policies but have no significant impact on the Parent Company's financial statements. As allowed and in accordance with the transitional provisions of this new standard, comparative figures have not been restated but the Parent Company is required to provide the related transition disclosure requirements under PFRS 7, Financial Instruments: Disclosures.

*Date of recognition*
Financial assets and financial liabilities are recognized in the statement of financial position when the Parent Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

*Initial recognition*
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, the initial measurement of financial instruments includes transaction costs.

*Determination of fair value*
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

**Classification of Financial Instruments**

*Financial Assets*
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Parent Company classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

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

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

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Parent Company classified "Cash in banks" *(See Note 9)* and "Trade and other receivables" *(See Note 11)* as financial assets at amortized cost.

  The Parent Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Parent Company classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Parent Company does not have financial assets under this category as at December 31, 2025, 2024 and 2023.

- Financial assets at FVOCI

  The Parent Company classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Parent Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company does not have financial assets under this category as at December 31, 2025, 2024 and 2023.

*Financial Liabilities*
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

*Financial liabilities at FVPL*
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Parent Company elects to designate a financial liability under this category.

The Parent Company does not have financial liabilities under this category as at December 31, 2025, 2024 and 2023.

*Other financial liabilities*
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

*Fair value measurement hierarchy*
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

*Financial guarantees*
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets*
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Parent Company has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights 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 Parent Company's continuing involvement in the asset.

Continuing involvement that makes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum account of consideration that the Parent Company could be required to repay.

*Financial Liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

**Impairment of Financial Assets**

*Assessment of Impairment*
PFRS 9 requires the Parent Company to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Parent Company must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

A financial asset is assessed for impairment based on the following stages:

| | |
|---|---|
| Stage 1: | When a financial asset is first recognized, the Parent Company recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2. |
| Stage 2: | When a financial asset has shown a significant increase in credit risk since origination, the Parent Company recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3. |
| Stage 3: | When a financial asset is considered as credit impaired, the Parent Company recognizes an allowance for the lifetime ECL. |

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

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Parent Company would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

*Evidence of Impairment*
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Parent Company on terms that the Parent Company would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

*Impairment of financial assets carried at amortized cost*
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

*Impairment on financial assets carried at cost*
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

*Reversal of impairment loss*
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

*Classification of financial instrument between debt and equity*
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

**Offsetting of Financial Instruments**
Financial assets and financial liabilities are offset and the net amount is 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in gross in the statement of financial position.

**Derivatives**
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Parent Company has no derivatives as at December 31, 2025, 2024 and 2023.

**Embedded derivatives**
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition; (c) the hybrid or combined instrument is not recognized at FVPL.

The Parent Company has no transactions with embedded derivatives as at December 31, 2025, 2024 and 2023.

**Cash and Cash Equivalents**
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Parent Company has no cash equivalents as at December 31, 2025, 2024 and 2023.

**Trade and Other Receivables**
Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

**Inventories**
Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

**Prepayments**
These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

**Investment in Associate**
Investment in shares of stock where the Parent Company holds 20% or more ownership, or where it has the ability to significantly influence the investee Parent Company's operating activities is accounted for in these separate financial statements under the equity method. Accordingly, dividends received are treated as income in the year these are collectible.

**Investments in Subsidiaries**
Subsidiaries are entities over which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involved with the investee; and
- the ability to use its power over the investee to affect its returns.

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Parent Company assessed that it has control over the following companies since it has the power to govern its relevant activities and derive returns form such activities:

- Maramag Mini Hydro Power Corporation (MMHPC)
- Sulipat Hydro Power Corporation (SHPC)
- Calatngan Hydro Power Corporation (CHPC)

The Parent Company is required to present consolidated financial statements under PFRS 10.

**Property and Equipment**

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Parent Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Parent Company. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| Components | Estimated Useful Life |
|---|---|
| Generation plants | 20 years |
| Transmission line | 10 years |
| Building | 10-20 years |
| Land and improvements | 10 years |
| Tool and machineries and service vehicles | 5 years |
| Leasehold improvements | 3-5 years |
| Furniture and office equipment | 3-5 years |

Depreciation of an item of property and equipment begins 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 ceases 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, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

**Impairment of Non-financial Assets**
The carrying amounts of the Parent Company's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the 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 the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

**Trade and Other Payables**
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

**Related Party Transactions**
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

**Borrowings and Borrowing Costs**
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

**Equity**

*Capital Stock*
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

*Retained Earnings*
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

**Revenue and Cost Recognition**

The Parent Company has applied PFRS 15 where revenue is recognized when (or as) the Parent Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Parent Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Parent Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Parent Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Parent Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Parent Company does not adjust any of the transaction prices for the time value of money.

The following specific recognition criteria must also be met before revenue and cost is recognized:

| | | |
|---|---|---|
| *Sale of power* | - | Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled. |
| *Interest on bank deposits* | - | Interest is recognized as interest accrues based on effective interest method of accounting. |

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Parent Company.

The Parent Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Parent Company's right to consideration in exchange for goods or services that the Parent Company has transferred to a customer.

The Parent Company presents a contract liability when a customer pays the consideration, or the Parent Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Parent Company transfers goods or performs services to the customer. A contract liability is the Parent Company's obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent billings. The Parent Company considers the effect of significant financing component in the contract which is recognized as part of Revenues and Finance Cost in the statement of comprehensive income.

The Parent Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Parent Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Parent Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Parent Company applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Parent Company. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Parent Company determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Parent Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Parent Company expects to receive, less the costs that relate to providing services under the relevant contract.

**Leases**

The Parent Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Parent Company assesses whether the contract meets three key evaluations which are whether:

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

**Measurement and recognition of leases as a lessee**
At lease commencement date, the Parent Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Parent Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Parent Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Parent Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Parent Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Parent Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

*Parent Company as lessee*
Where the Parent Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at December 31, 2025, 2024 and 2023, the Parent Company does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

**Employee Benefits**
Employee benefits are all forms of consideration given by the Parent Company in exchange for service rendered by the employees. The Parent Company's employee benefits include the following:

*Short-term benefits*
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

*Retirement benefits*

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

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

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. *(Note 15)*

*Termination benefits*
Termination benefits are payable when employment is terminated by the Parent Company before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

*Compensated absences*
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

**Research and Development Costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

The Parent Company's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

**Income Taxes**

*Current income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Parent Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Parent Company recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

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

*Deferred income tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

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

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

**Provisions**

Provisions, if any, are recognized when the Parent Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

When the Parent Company expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

**Contingencies**

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

**Related Party Transactions**

Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.

Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Parent Company that gives them significant influence in the financial and operating policy decisions of the Parent Company are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

**Earnings Per Share**

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Parent Company does not have potentially dilutive common shares.

**Events after the End of Reporting Period**

Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

## NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Parent Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Parent Company's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. 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 financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Parent Company believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

**Judgments**

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

*Determination of functional currency*

Based on the economic substance of the underlying events and circumstances relevant to the Parent Company, the Parent Company's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Parent Company operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates.*

*Revenue Recognition*

The Parent Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Parent Company determines, at contract inception, whether it will transfer control of a promised service over time. If the Parent Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Parent Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Parent Company supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services.

A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Parent Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

  The Parent Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

  For power generation, the Parent Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Parent Company recognizes revenue based on:

  - For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
  - For fixed capacity payments, the Parent Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

  The Parent Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Parent Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Parent Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Parent Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

  Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Parent Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Parent Company's influence (i.e., provisional ERC rates).

- Allocation of variable consideration

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Parent Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Parent Company.

*Fair Value of Financial Instruments*
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*Classification of financial instruments*
The Parent Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

**Estimates and Assumptions**
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Estimating Allowance for Doubtful Accounts*
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Parent Company's credit risk exposures;
- the Parent Company's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

The allowance for impairment losses on trade and other receivables amounted to **P20,761,994** as of December 31, 2025, 2024, and 2023. *(see Note 10)*

*Determination of Net Realizable Value of Inventories*
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Parent Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2025, 2024 and 2023.

*Estimation of Useful Lives of the Parent Company's Property, Plant, and Equipment*
The Parent Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2025, 2024 and 2023. As at December 31, 2025, 2024 and 2023, the aggregate net book value of property, plant, and equipment amounted to **P4,688,595,483,** 4,004,603,360, and P3,342,966,100, respectively *(see Note 5)*.

*Provisions and Contingencies*
The Parent Company provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Parent Company. The Parent Company has not recognized any provision in both years.

*Impairment of Non-Financial Assets – Property, plant, and equipment*
The Parent Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent 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.

As at December 31, 2025, 2024 and 2023, no impairment loss on property and equipment was recognized in the statements of comprehensive income of the Parent Company.

*Retirement Obligation*
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation of the Parent Company and details about the assumptions used are disclosed in Note 15.

*Recognition of Deferred Income Tax Assets*

The Parent Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Parent Company will utilize all or part of the deferred income tax assets. As of December 31, 2025, 2024 and 2023, the Parent Company recognized deferred income tax assets amounting to **P47,275,446,** P10,184,461 and P12,717,826, respectively *(See Note 22).*

## NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

| | | **January 1, 2025** | | **Additions** | | **Disposal/ Reclassification** | | **December 31, 2025** |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Land and improvements | P | **280,287,919** | P | 50,304,375 | P | - | P | **330,592,294** |
| Generation plants | | **4,641,880,947** | | 2,528,590 | | - | | **4,644,409,537** |
| Transmission line | | **47,038,732** | | - | | - | | **47,038,732** |
| Buildings | | **183,795,189** | | 2,765,036 | | - | | **186,560,225** |
| Tools and machineries and service vehicles | | **80,675,277** | | 3,221,545 | | - | | **83,896,822** |
| Leasehold improvements, furniture and office equipment | | **27,322,261** | | 1,421,568 | ( | 367,486) | | **28,376,343** |
| Construction in progress | | **1,287,339,077** | | 876,907,625 | | | | **2,164,246,702** |
| | | **6,548,339,402** | | **937,148,739** | **(** | **367,486)** | | **7,485,120,655** |
| **Accumulated depreciation** | | | | | | | | |
| Land and improvements | | **117,552,187** | | 10,351,096 | | | | **127,903,283** |
| Generation plants | | **2,244,779,135** | | 220,283,567 | | | | **2,465,062,702** |
| Transmission line | | **39,740,499** | | 2,985,509 | | | | **42,726,008** |
| Buildings | | **64,016,387** | | 9,072,681 | | | | **73,089,068** |
| Tools and machineries and service vehicles | | **54,257,234** | | 8,320,291 | | | | **62,577,525** |
| Leasehold improvements, furniture and office equipment | | **23,390,600** | | 2,138,150 | ( | 362,164) | | **25,166,586** |
| | | **2,543,736,042** | | **253,151,294** | **(** | **362,164)** | | **2,796,525,172** |
| **Net book value** | **P** | **4,003,603,360** | **P** | **683,997,445** | **(P** | **5,322)** | **P** | **4,688,595,483** |

| | | January 1, 2024 | | Additions | | Disposal/ Reclassification | | December 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Land and improvements | P | 279,287,919 | P | 1,000,000 | P | - | P | 280,287,919 |
| Generation plants | | 5,435,433,725 | | - | ( | 793,552,778) | | 4,641,880,947 |
| Transmission line | | 47,038,732 | | - | | - | | 47,038,732 |
| Buildings | | 183,795,189 | | - | | - | | 183,795,189 |
| Tools and machineries and service vehicles | | 72,595,055 | | 8,432,550 | ( | 352,328) | | 80,675,277 |
| Leasehold improvements, furniture and office equipment | | 25,949,982 | | 1,803,058 | ( | 430,779) | | 27,322,261 |
| Construction in progress | | - | | 913,708,303 | | 373,630,774 | | 1,287,339,077 |
| | | 6,044,100,602 | | 924,943,911 | ( | 420,705,111) | | 6,548,339,402 |

| | January 1, 2024 | Additions | Disposal/ Reclassification | December 31, 2024 |
|---|---|---|---|---|
| Accumulated depreciation | | | | |
| Land and improvements | 107,101,755 | 10,450,432 | - | 117,552,187 |
| Generation plants | 2,434,556,299 | 230,144,515 | ( 419,921,679) | 2,244,779,135 |
| Transmission line | 35,485,343 | 4,255,156 | - | 39,740,499 |
| Buildings | 55,059,362 | 8,957,025 | - | 64,016,387 |
| Tools and machineries and service vehicles | 47,521,217 | 6,829,755 | (93,738) | 54,257,234 |
| Leasehold improvements, furniture and office equipment | 21,410,526 | 2,351,238 | ( 371,164) | 23,390,600 |
| | 2,701,134,502 | 262,988,121 | ( 420,386,581) | 2,543,736,042 |
| Net book value | P 3,342,966,100 | P 661,955,790 | (P 318,530) | P 4,004,603,360 |

| | January 1, 2023 | Additions | Disposal/ Reclassification | December 31, 2023 |
|---|---|---|---|---|
| Cost | | | | |
| Land and improvements | P 279,287,919 | P - | P - | P 279,287,919 |
| Generation plants | 5,435,433,725 | - | - | 5,435,433,725 |
| Transmission line | 47,038,732 | - | - | 47,038,732 |
| Buildings | 162,744,185 | - | 21,051,004 | 183,795,189 |
| Tools and machineries and service vehicles | 61,108,656 | 219,388 | 11,267,011 | 72,595,055 |
| Leasehold improvements, furniture and office equipment | 25,323,469 | 1,709,021 | ( 1,082,508) | 25,949,982 |
| Construction in progress | 28,575,065 | 3,898,382 | ( 32,473,447) | - |
| | 6,039,511,751 | 5,826,791 | ( 1,237,940) | 6,044,100,602 |
| Accumulated depreciation | | | | |
| Land and improvements | 96,667,615 | 10,434,140 | | 107,101,755 |
| Generation plants | 2,172,242,017 | 262,314,282 | | 2,434,556,299 |
| Transmission line | 30,781,470 | 4,703,873 | | 35,485,343 |
| Buildings | 46,767,561 | 8,291,801 | | 55,059,362 |
| Tools and machineries and service vehicles | 42,797,101 | 4,879,551 | ( 155,435) | 47,521,217 |
| Leasehold improvements, furniture and office equipment | 20,343,925 | 2,141,983 | ( 1,075,382) | 21,410,526 |
| | 2,409,599,689 | 292,765,630 | ( 1,230,817) | 2,701,134,502 |
| Net book value | P 3,629,912,062 | (P 286,938,839) | (P 7,123) | P 3,342,966,100 |

Depreciation charged to direct costs and operating expenses amounted to **P223,269,076** and **P29,882,218** in 2025, P234,399,671 and P28,588,450 in 2024 and P267,018,156 and P25,747,474 in 2023, respectively.

Gain (loss) on disposal of assets amounted to **(P5,322)** in 2025, (P17,643) in 2024, and P32,107 in 2023. Proceeds from disposal of asset amounted to **P0** in 2025, P6,450 in 2024, and P54,020 in 2023.

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P67,433,327** in 2025, P65,597,556 in 2024, and P65,597,556 in 2023.

The Parent Company has determined that there is no indication that an impairment loss has occurred on its generation plant, property and equipment.

The Parent Company's generation plant and equipment and land with net book value of **P3,101,589,838** were pledged as security or collateral for the Parent Company's loans and borrowings discussed in Note 14.

Borrowing costs capitalized amounted to **P90,793,226** in 2025 and P15,250,942 in 2024 using 6.5% capitalization rate. No borrowing costs have been capitalized in 2023 for the projects undertaken during those years because funds were sourced from the operational activities of the Parent Company.

## NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, a domestic corporations engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Movement of the account follows:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Balance, January 1 | **P -** | P - | P 13,170,584 |
| Share in net loss | - | - | ( 4,150,684) |
| | - | - | 9,019,900 |
| Transfer to investment in subsidiary | - | - | 9,019,900) |
| Balance, December 31 | **P -** | P - | P - |

The Parent Company recognized losses on investment amounting to **P4,150,684** as of April 2024 and P4,150,684 in 2023. MMHPC received its Certificate of Commerciality in May 2023 and its Provisional Authority to Operate in October 2023, enabling it to begin commercial operations. Despite initial losses, management is confident that the investment and losses can be recovered since its associate has obtained the necessary licenses and is expected to be fully operational by 2024. Thus, no impairment is recognized in both years.

## NOTE 7 – INVESTMENT IN SUBSIDIARIES

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC), Sulipat Hydro Power Corporation (SHPC), and Calatngan Hydro Power Corporation (CHPC)**, the Subsidiaries.

The Subsidiaries are domestic corporations engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Investments in the following subsidiaries are carried at cost, less any allowance for impairment losses:

| | | | | | | |
|---|---|---|---|---|---|---|
| **Maramag Mini-Hydro Power Corporation *(MMPC)*** | **P** | **9,019,900** | P | 9,019,900 | P | 9,019,900 |
| **Sulipat Hydro Power Corporation *(SHPC)*** | | **3,187,100** | | 3,187,100 | | 3,187,100 |
| **Calatngan Hydro Power Corporation *(CHPC)*** | | **2,999,600** | | 2,999,600 | | 2,999,600 |
| | **P** | **15,206,600** | P | 15,206,600 | P | 15,206,600 |

Investment in **MMHPC** pertains to **42.70%** direct ownership in investment in shares of stocks and **37.30%** indirect ownership.
The Subsidiary was incorporated on June 7, 2013 and started its commercial operations last May 2023. Common stockholders between the parent and subsidiary were present, but control was established only in May 2023.

Investment in **SHPC** pertains to **85%** direct ownership in investment in shares of stock. The Subsidiary was incorporated on September 3, 2022 and estimated to start its commercial operations by year 2026.

Investment in **CHPC** pertains to **80%** direct ownership in investments in shares of stock. The Subsidiary was incorporated on December 13, 2022 and estimated to start its commercial operations by year 2026.
The summarized financial information of the subsidiaries based on its financial statements is presented below. This information is based on amounts before inter-company eliminations.

***Maramag Mini Hydro Power Corporation***

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Total Assets | | | |
| Current assets | **P 35,576,879** | P 34,709,707 | P 35,861,576 |
| Noncurrent assets | **523,664,157** | 546,255,226 | 567,114,098 |
| | **559,241,036** | 580,964,933 | 602,975,674 |
| Total Liabilities | | | |
| Current liabilities | **340,266,636** | 332,803,626 | 321,053,688 |
| Noncurrent liabilities | **174,184,199** | 211,684,199 | 249,318,604 |
| | **514,450,836** | 544,487,825 | 570,372,292 |
| Total Equity | | | |
| Share capital | **63,645,000** | 63,645,000 | 62,520,000 |
| Retained earnings (Deficit) | **( 18,854,800)** | ( 27,167,892) | ( 29,916,618) |
| | **P 44,790,200** | P 36,477,108 | P 32,603,382 |
| Gross income for the year | **P 30,231,829** | P 24,586,469 | P 16,934,994 |
| Net income (loss) for the year | **P 9,806,077** | (P 2,748,726) | (P 1,264,535) |

***Sulipat Hydro Power Corporation***

| | | | |
|---|---|---|---|
| Total Assets | | | |
| Current assets | **P 3,238,626** | P 3,266,731 | P 5,002,181 |
| Noncurrent assets | **8,161,999** | 8,074,083 | 3,890,898 |
| | **11,400,625** | 11,340,814 | 8,893,079 |
| Total Liabilities | | | |
| Current liabilities | **8,436,279** | 8,179,923 | 5,391,390 |
| Noncurrent liabilities | **-** | - | - |
| | **8,436,279** | 8,179,923 | 5,391,390 |
| Total Equity | | | |
| Share capital | **3,750,000** | 3,750,000 | 3,750,000 |
| Retained earnings (Deficit) | **( 785,654)** | ( 589,109) | ( 248,311) |
| | **P 2,964,346** | 3,160,891 | P 3,501,689 |
| Gross income for the year | **P -** | - | - |
| Net income (loss) for the year | **(P 196,545)** | (P 340,798) | (P 32,066) |

*Calatngan Hydro Power Corporation*

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Total Assets | | | |
| Current assets | **P 822,198** | P 70,015 | 20,000 |
| Noncurrent assets | **1,001,081** | 994,261 | 3,993,503 |
| | **1,823,279** | 1,064,276 | 4,013,503 |
| Total Liabilities | | | |
| Current liabilities | **2,077,445** | 1,291,339 | 426,115 |
| Noncurrent liabilities | **-** | - | - |
| | **2,077,445** | 1,291,339 | 426,115 |
| Total Equity | | | |
| Share capital | **3,750,000** | 3,750,000 | 3,750,000 |
| Retained earnings (Deficit) | **( 4,004,166)** | ( 3,977,063) | 162,612) |
| | **(P 254,166)** | (P 227,063) | 3,587,388 |
| Gross income for the year | **P -** | - | - |
| Net income (loss) for the year | **(P 27,103)** | (P 652,171) | 34,969) |

## NOTE 8 – OTHER NONCURRENT ASSETS

This account consists of:

| | | | |
|---|---|---|---|
| Advance payment for land purchase | **P 8,000,000** | P 8,000,000 | P - |
| Others | **10,000** | 10,000 | - |
| | **P 8,010,000** | P 8,010,000 | P - |

Others pertains to rental deposit *(See Note 21)* and refundable deposits made for the Parent Company's IT services (VSAT connectivity services).

## NOTE 9 – CASH IN BANKS

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P65,064** in 2025, P61,579 in 2024 and P27,440 in 2023.

## NOTE 10 – TRADE AND OTHER RECEIVABLES

This account consists of:

| | | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| Trade receivables | | **P 418,422,090** | P 462,487,783 | P 512,624,557 |
| Advances to related parties | *17* | **193,054,480** | 189,932,587 | 179,375,408 |
| Advances to contractors and suppliers | | **109,066,911** | 111,043,848 | 11,527,153 |
| Advances to officers and employees | | **1,251,400** | 2,146,529 | 2,651,857 |
| | | **721,794,881** | 765,610,747 | 706,178,975 |
| Less: Allowance for impairment of receivables | | **( 20,761,994)** | ( 20,761,994) | ( 20,761,994) |
| | | **P 701,032,887** | P 744,848,753 | P 685,416,981 |

Trade and other receivables are non-interest bearing and are generally on 30 days - 90 days term. The Parent Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Parent Company to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Parent Company's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

| | | | |
|---|---|---|---|
| Balance, January 1 | **P 20,761,994** | P 20,761,994 | P 10,380,997 |
| Provisions | **-** | - | 10,380,997 |
| Write-off | **-** | - | ( - |
| Balance, December 31 | **P 20,761,994** | P 20,761,994 | P 20,761,994 |

The impaired receivables are from the unpaid collectibles from trade receivables.

## NOTE 11 – INVENTORIES

Inventories pertain to fuel that are carried at cost used in the generation plant.

There were no allowance for obsolescence/impairment for both years.

The cost of inventories recognized as part of cost of generated power in the statement of comprehensive income amounted to **P150,190,940** in 2025, P160,829,740 in 2024 and P115,749,079 in 2023. *(See Not 18)*

The Parent Company's inventories have been reviewed for indicators of impairment. There were no provisions for impairment or recognized in both years.

There were no unusual purchase commitments for inventory during the year. Accordingly, there are no losses expected from uncancellable commitments.

## NOTE 12 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Prepayments | **P 173,543,471** | P 51,526,172 | P 47,070,263 |
| Deferred input taxes | **4,014,216** | 4,797,970 | 9,216,705 |
| Others | **121,386,638** | 124,281,869 | 87,132,714 |
| | **P 298,944,325** | P 180,606,011 | P 143,419,682 |

Prepayments mainly include advance payments of taxes, input VAT and insurance.

Deferred input taxes pertain to VAT credits on purchases of capital goods acquired by the Parent Company.

Others pertain to spare parts and other supplies that are carried at cost and are used for the repair and maintenance of the generation plant.

## NOTE 13 – CAPITAL STOCK

The components of capital stock follow:

*Common Stock – Authorized 30,000,000 shares in both years at P100 par value*
*Subscribed and outstanding – **26,349,624** shares in 2025, and 25,500,000 shares in 2024 and 2023*

| | | | |
|---|---|---|---|
| Balance, January 1 | **P 2,571,800,000** | P 2,571,800,000 | P 2,571,800,000 |
| Additional paid-up capital | **84,962,400** | - | - |
| Balance, December 31 | **P 2,656,762,400** | P 2,571,800,000 | P 2,571,800,000 |
| Less: Treasury Shares | **( 21,800,000)** | ( 21,800,000) | ( 21,800,000) |
| | **P 2,634,962,400** | P 2,550,000,000 | P 2,550,000,000 |

In 2025, there were additional stock subscriptions amounting **P84,962,400** equivalent to **849,624** shares and share premium amounting to **P20,373,984.**

***Treasury shares***
On March 24, 2022, the Parent Company purchased its own shares amounting to P21,800,000 equivalent to 218,000 shares and presented in the statements of equity as treasury shares. Consequently, the amount of retained earnings was appropriated.

On June 28, 2022, there were additional stock subscriptions amounting P2,200,000 equivalent to 22,000 shares.

## NOTE 14 – LOANS AND BORROWINGS

This account consists of:

| | | 2025 | | 2024 | | 2023 |
|---|---|---|---|---|---|---|
| Commercial banks | **P** | **2,040,000,000** | P | 1,233,333,333 | P | 333,333,333 |
| Financing companies, *net of discount* | | **6,684,859** | | 123,356 | | 4,149,825 |
| | | **2,046,684,859** | | 1,233,456,689 | | 337,483,158 |
| Current portion | | **( 93,722,920)** | | ( 133,456,689) | | ( 204,327,397) |
| | **P** | **1,952,961,939** | P | 1,100,000,000 | P | 133,155,761 |

This account consists of loans and borrowings from commercial banks and financing companies. The movement of the loans and borrowings during the year follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance, January 1 | **P** | **1,233,456,689** | P | 337,483,158 | P | 541,686,174 |
| Availments during the period | | **946,734,575** | | 1,100,000,000 | | |
| Payments during the period | | **( 133,506,405)** | | ( 204,026,469) | | ( 204,203,016) |
| Balance, December 31 | | **2,046,684,859** | | 1,233,456,689 | | 337,483,158 |
| Current portion (due within 1 year) | | | | | | |
| | | **( 93,722,920)** | | ( 133,456,689) | | ( 204,327,397) |
| Non-current portion | **P** | **1,952,961,939** | P | 1,100,000,000 | P | 133,155,761 |

The proceeds of the loans were used for additional working capital and construction of the generation plant, property and equipment. These were covered by promissory notes at various dates with various interest rates ranging from 4% to 9% per annum, payable in various dates until 2034. Certain properties were pledged as security or collateral for loans and borrowings. *(See Note 5)*

Discount on lease liability from financing companies amounted to **P0**, P0 and 177,572 as at December 31, 2025, 2024 and 2023, respectively.

Borrowing costs capitalized in 2025 and 2024 amounted to **P90,793,226** and P15,250,942 discussed in Note 5.

Finance cost charged to operations amounted to **P28,792**, P0 and P27,332,297 in 2025, 2024 and 2023, respectively.

There is no default in payments in all years.

The Parent Company is in compliance with the covenants of the debt agreements as at December 31, 2025, 2024 and 2023.

## NOTE 15 – RETIREMENT PAYABLE

The Parent Company provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The net retirement liability recognized in the Statement of Financial Position as at December 31, 2025, 2024 and 2023 was determined as follows:

| | | **2025** | | 2024 | | 2022 |
|---|---|---|---|---|---|---|
| Present value of defined benefit obligation | **P** | **8,336,108** | P | 4,322,336 | P | 6,457,322 |
| Less: Fair value of plan assets | | **-** | | - | | - |
| | **P** | **8,336,108** | P | 4,322,336 | P | 6,457,322 |

Movement of the present value of defined benefit obligation follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance, January 1 | **P** | **4,322,336** | P | 6,457,322 | P | 4,810,028 |
| Provision during the year | | **5,809,991** | | 1,218,451 | | 1,015,328 |
| Payments | **(** | **634,348)** | ( | 412,034) | ( | 22,479) |
| Adjustments during the year | **(** | **1,161,871)** | ( | 2,941,403) | | 654,445 |
| Balance, March 31 and December 31 | **P** | **8,336,108** | P | 4,322,336 | P | 6,457,322 |

**Actuarial assumptions**

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | | | |
|---|---|---|---|
| Discount rate | 6.27% | 6.12% | 6.09% |
| Future salary growth | 2.00% | 2.00% | 2.00% |

The weighted-average duration of the defined benefit obligation is 5.50 years in 2025, 5.30 years in 2024, and 8.9 years in 2023.

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | |
|---|---|
| Decrease in DBO if Discount Rate + 100 basis points (bps) | (433,893) (5.2%) |
| Increase in DBO if Discount Rate – 100 bps | 487,529;5.8% |
| Increase in DBO if Salary Increase Rate + 100 bps | 503,985; 6.00% |
| Decrease in DBO if Salary Increase Rate – 100 bps | (455,218) ; (5.5%) |
| Increase in DBO if No Attrition Rates | 442,009; 5.3% |

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The remeasurement gain/(loss) recognized in other comprehensive gain (loss) in the statement of changes in equity and statement of comprehensive income for the years ended December 31, 2025, 2024 and 2023 amounted to **P1,161,871**, P2,941,403, and (P654,445), respectively.

## NOTE 16 – TRADE AND OTHER PAYABLES

This account consists of:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| ***Current Liabilities*** | | | |
| Trade payables | P **121,856,464** | P 189,168,584 | P 330,632,498 |
| Deferred output tax | **52,476,346** | 58,589,077 | 71,133,560 |
| Retention payable | **51,485,738** | 5,410,327 | 1,741,831 |
| Accrued expenses | **7,833,764** | 37,351,049 | 20,316,348 |
| Payable to government agencies | **2,615,291** | 1,708,161 | 4,850,102 |
| Advances from employees | **1,590,388** | 1,230,724 | 1,312,569 |
| | **237,857,991** | 293,457,922 | 429,986,908 |
| ***Noncurrent Liability*** | | | |
| Other liabilities | **347,509,811** | 496,978,120 | 403,950,747 |
| | P **585,367,802** | P 790,436,042 | P 833,937,655 |

***Trade Payables***
Trade payables primarily consist of liabilities to suppliers. These are noninterest-bearing and current portion are normally settled within the next financial year.

***Energy Regulation (ER) 1-94***
ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Parent Company accrues the required benefits to its host community (included under "Trade and other payables" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94. Total accrued regulatory fees amounted to **P91,697** in 2025, P95,680 in 2024 and P105,493 in 2023.

***Deferred output tax***
Deferred output tax pertain VAT charged on services not yet collected.

***Accrued expenses***
Accrued expenses pertain to cost and operating expenses which are normally settled within the next financial year.

***Retention Payable***
Retention payable pertains to construction projects.

***Government liabilities***
Payables to government agencies mainly consist of vat payable, expanded withholding taxes, and SSS/PHIC/HDMF payable which is normally settled within the next financial year.

***Other liabilities***
Other liabilities pertain to amounts due to transmission utilities and utilities billable beyond the next financial year.

Trade and other payables are non-interest bearing.

## NOTE 17 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Parent Company has transactions with related parties. 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. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties:

**Receivables from related parties**

The Parent Company, in the ordinary course of business transacts with related parties (i.e. contractors, suppliers of materials and supplies, etc.). These receivables are unsecured, non-interest bearing and are settled in cash with no definite terms.

Movement of account follows:

| | **2025** | 2024 | 2025 |
|---|---|---|---|
| Balance, January 1 | **P 190,483,604** | P 179,375,408 | 162,497,515 |
| Additions during the period | **10,394,895** | 11,108,196 | 16,877,893 |
| Payments | **( 7,824,019)** | - | - |
| Balance, December 31 | **P 193,054,480** | P 190,483,604 | 179,375,408 |

**Free Use of Land**

The Parent Company was allowed free use of land (owned by related parties) where its Baloy office is situated.

**Key management personnel compensation**

The Parent Company considered as key management personnel all employees holding managerial positions up to the President. Total compensation and benefits paid/accrued for key management personnel are as follows:

| | | | |
|---|---|---|---|
| Short-term benefits | **P 5,640,000** | P 5,684,199 | P 5,684,199 |
| Post-employment benefits | **121,845** | 121,845 | 101,533 |
| | **P 5,761,845** | P 5,806,044 | P 5,785,732 |

## NOTE 18 – REVENUE AND DIRECT COSTS

**Sale of Power**

This pertains to sale of power generated by the Parent Company for customers with peak generation agreements and through transactions from Wholesale Electricity Spot Market (WESM).

*Contract information*

The Parent Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

*Power Supply Agreements*

As at December 31, 2025, the Parent Company has three (3) active Ancillary Services Procurement Agreement (ASPA) that are set to expire in 2028. The negotiations for the extension or renewal of contracts are still in process. Despite the expiring contracts, the power plants will still be used to supply power to National Grid Corporation of the Philippines (NGCP) through the Ancillary Services Procurement and the Independent Market Operator (IEMOP) via the Wholesale Electricity Spot Market (WESM). Additionally, there is an ongoing mothballing application and rehabilitation for the Misamis Occidental Power Plant I (MOPP1) facility.

On January 9, 2024, the Parent Company was awarded by Palawan Electric Cooperative a 15MW Supply of Power in the Municipality of El Nido, Palawan. Thus, on May 11, 2024, KEGI and PALECO executed the Power Supply Agreement (PSA) with the term of fifteen years commencing from the commercial operation date (COD) in July 2026 of the conventional technology subject to the conditions as stated under Section 4 of the PSA for 15MW.

On November 25, 2023, the Parent Company entered into a firm Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines for its MOPP2 and MOPP3.

In April 2023, the Parent Company entered into a firm Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP) for its Surigao del Sur Power Plant (SSPP) for a term of 5 years.

The Parent Company is continuously monitoring near-expiring contracts and is in the process of renewing and negotiating terms of the agreements. The management believes that there will be favorable outcome on the on-going negotiations despite the challenging economic outlook.

*Fuel Supply and Management Agreement*

Pursuant to the Power Supply Agreement, the Parent Company also entered into a FSMA with Chemfour Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Parent Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

*Power Plant Operating and Maintenance Agreement*

The Parent Company has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

**Other income/(loss)**

*Gain (Loss) on disposal of properties*

As at December 31, 2025, 2024 and 2023, the Parent Company gained (loss) on disposal amounting to **(P5,322)**, (P17,643) and P32,107, respectively.

*Interest Income*

The Parent Company's interest income on deposit in banks as at December 31, 2025, 2024 and 2023 amounted to **P65,064**, P61,579 and P27,440, respectively. Interest income from WESM charges amounted to **P24,576** in 2025 and P0 in 2024 and 2023.

*Gain (loss) on foreign exchange*

As at December 31, 2025, 2024 and 2023, the Parent Company's foreign bank accounts, as well as foreign currency property acquisitions resulted to a gain/(loss) amounting to **P47,472,** P1,056,383, and P31,532, respectively.

*Income from charged-off receivables*

As of December 31, 2025, recovery from written-off accounts amounted to **P17,164,447**.

**Cost of Service**

This account consists of:

| | *Notes* | **2025** | 2024 | 2023 |
|---|---|---|---|---|
| Depreciation | *5* | **P 223,269,076** | P 234,399,671 | P 267,018,156 |
| Fuel costs | *11* | **150,190,940** | 160,829,740 | 115,749,079 |
| Operating and maintenance cost | | **67,572,085** | 95,333,827 | 139,571,119 |
| Taxes and licenses | | **30,328,139** | 33,377,808 | 35,325,214 |
| Light and water | | **19,681,252** | 16,660,561 | 19,143,542 |
| Personnel | *18* | **9,178,947** | 9,965,870 | 9,177,514 |
| Insurance | | **9,424,737** | 9,636,728 | 11,074,753 |
| NGCP domestic lease line | | **4,345,898** | 3,808,024 | 2,998,160 |
| Transmission costs | | **-** | 821,699 | 2,926,858 |
| Corporate social responsibilities | | **413,508** | | |
| Others | | **2,466,908** | 1,140,856 | 174,237 |
| | | **P 516,871,490** | P 565,974,784 | P 603,158,632 |

## NOTE 19 – EMPLOYEES' SALARIES, WAGES AND OTHER BENEFITS

This account consists of:

| | | | | |
|---|---|---|---|---|
| Salaries and wages | | **P 28,195,072** | P 27,409,963 | 24,638,647 |
| Employee benefits | | **7,617,681** | 6,722,490 | 6,824,744 |
| SSS, PhilHealth and HDMF contributions | | **3,477,513** | 3,121,292 | 2,746,555 |
| Provision for retirement | *15* | **5,809,991** | 1,218,451 | 1,015,328 |
| | | **P 45,100,257** | P 38,472,196 | 35,225,274 |

Employees, salaries, and wages and other benefits are charged as follows:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Operating expenses | **P 35,921,310** | P 28,506,326 | 26,047,760 |
| Cost of service | **9,178,947** | 9,965,870 | 9,177,514 |
| | **P 45,100,257** | P 38,472,196 | 35,225,274 |

## NOTE 20 – GENERAL AND ADMIN EXPENSES

This account consists of:

| | *Note* | | | |
|---|---|---|---|---|
| Representation | | **2,088,792** | 8,021,356 | 7,730,526 |
| Company events | | **1,821,716** | 619,960 | 2,394,538 |
| Postage and communication | | **1,515,370** | 1,675,762 | 2,791,651 |
| Transportation and travel | | **1,434,557** | 4,157,199 | 2,043,053 |
| Professional and legal fees | | **1,111,172** | 4,455,810 | 2,204,670 |
| Surcharge and penalties | | **1,052,799** | 48,755 | - |
| Business meals | | **760,289** | 1,058,219 | 1,044,971 |
| Insurance | | **655,722** | 439,820 | 887,775 |
| Rentals | *21* | **348,214** | 321,429 | 294,643 |
| Trainings and seminars | | **344,007** | 278,842 | 252,323 |
| Others | | **2,460,689** | 1,083,498 | 1,767,139 |
| | | **P 13,593,327** | P 22,160,650 | P 21,411,289 |

Others pertain to bank charges, promotions and ads, commissions, job contract services, expired creditable withholding taxes and other incidental expenses.

## NOTE 21 – LEASES

**The Parent Company as a Lessee**

The Parent Company is a lessee under short term and cancellable operating leases for one of its office and parking space. The total amount of rental expense on short term lease amounted to **P348,215** in 2025, P321,429 in 2024 and P294,643 in 2023.

The Parent Company do not have long term and noncancellable lease contracts requiring the application of PFRS 16 as at December 31, 2025, 2024 and 2023.

## NOTE 22 – TAX EXPENSE

The component of deferred tax asset follow:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Retirement benefit obligation | **P 2,084,027** | P 1,080,584 | P 4,041,152 |
| Allowance for impairment of receivables | **5,190,499** | 5,190,498 | 8,676,674 |
| Net operating loss carry-over | **36,389,272** | 1,218,135 | - |
| Minimum corporate income tax | **3,611,648** | 2,695,244 | - |
| | **P 47,275,446** | P 10,184,461 | P 12,717,826 |

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income is as follows:

| | | | |
|---|---|---|---|
| Statutory tax rate at 25% | **(P 14,013,675)** | P 1,767,563 | P 2,672,197 |
| Add (deduct) the tax effect of the following: | | | |
| Nondeductible items | **1,715,697** | 3,522,177 | 3,888,469 |
| Nontaxable items | **( 22,873,159)** | ( 3,931,139) | ( 12,480) |
| | **( 35,171,137)** | 1,358,601 | 6,548,186 |
| Tax expense - current | **-** | 1,358,601 | 6,548,186 |
| Tax expense – deferred | **( 36,174,580)** | 5,228,609 | ( 6,804,829) |
| | **(P 36,174,580)** | P 6,587,210 | (P 256,643) |

## NOTE 23 – EARNINGS/(LOSS) PER SHARE

The following table presents information necessary to calculate the earnings per share:

| | | | |
|---|---|---|---|
| Net income (loss) | **(P 19,880,121)** | P 3,331,828 | P 10,945,431 |
| Weighted average number of shares | **26,201,298** | 25,500,000 | 25,500,000 |
| Earnings per share | **(P 0.76)** | P 0.13 | P 0.44 |

There are no potential dilutive ordinary shares for the years ended December 31, 2025, 2024 and 2023.

The weighted average number of ordinary shares used as the denominator in calculating the basic EPS as at December 31, 2025, 2024 and 2023 follows:

| | 2025 | | |
|---|---|---|---|
| **Date** | **Number of shares issued** | **Number of shares outstanding** | **Weighted average no. of shares** |
| January 1, 2025 | **25,500,000** | **25,500,000** | **25,500,000** |
| March 14, 2025 | **406,000** | **25,906,000** | **338,333** |
| March 17, 2025 | **403,294** | **26,309,294** | **336,078** |
| April 23, 2025 | **40,330** | **26,349,624** | **26,887** |
| | **26,349,624** | **26,349,624** | **26,201,298** |

| | 2024 | | |
|---|---|---|---|
| Date | Number of shares issued | Number of shares outstanding | Weighted average no. of shares |
| January 1, 2024 | 25,500,000 | 25,500,000 | 25,500,000 |
| December 31, 2024 | 25,500,000 | 25,500,000 | 25,500,000 |

| | 2023 | | |
|---|---|---|---|
| Date | Number of shares issued | Number of shares outstanding | Weighted average no. of shares |
| January 1, 2023 | 25,500,000 | 25,500,000 | 25,500,000 |
| December 31, 2023 | 25,500,000 | 25,500,000 | 25,500,000 |

## NOTE 24 – FINANCIAL RISK AND CAPITAL MANAGEMENT

***Financial Risk Management***

The Parent Company has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

*Credit Risk*
Credit risk is the risk that a third party will fail to discharge its obligation to the Parent Company and cause the Parent Company to incur financial losses.

The Parent Company's exposure to credit risk is inherent in the nature of its business as well as the laws and regulations governing the industry. The Parent Company's policy is to evaluate the financial capabilities of its customers in order to determine whether the Parent Company will be exposed to a high credit risk. The credit risk is mitigated through periodic progress billings and collections while the debtors are still enrolled in the Parent Company. This practice also helps the Parent Company identify accounts which will possibly be problem accounts.

The Parent Company reviews, on as regular basis, the aging of its receivables and identifies possible uncollectible accounts based on the profile of the receivables. An analysis of the profile of debtors is also performed monthly to evaluate the significance of the credit risk that the Parent Company is facing.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise mainly of cash and short-term investments, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the Parent Company's customers are mainly government offices which risk for non-collection is likely to be low.

The table below shows the credit quality of financial assets as of December 31, 2025, 2024 and 2023:

| | **2025** | | | |
|---|---|---|---|---|
| | **Neither past due nor impaired** | **Past Due** | | **Total** |
| | | **Not impaired** | **Impaired** | |
| Financial assets: | | | | |
| Cash | **P 70,911,556** | **P -** | **P -** | **P 70,911,556** |
| Trade and other receivables | **701,032,887** | **-** | **20,761,994** | **721,794,881** |
| | **P 771,944,443** | **P -** | **P 20,761,994** | **P 792,706,437** |

| | 2024 | | | |
|---|---|---|---|---|
| | Neither past due nor impaired | Past Due | | Total |
| | | Not impaired | Impaired | |
| Financial assets: | | | | |
| Cash | P 128,668,161 | P - | P - | P 128,668,161 |
| Trade and other receivables | 744,848,753 | - | 20,761,994 | 765,610,747 |
| | P 873,516,914 | P - | P 20,761,994 | P 894,278,908 |

| | 2023 | | | |
|---|---|---|---|---|
| | Neither past due nor impaired | Past Due | | Total |
| | | Not impaired | Impaired | |
| Financial assets: | | | | |
| Cash | P 46,687,841 | P - | P - | P 46,687,841 |
| Trade and other receivables | 685,416,481 | - | 20,761,994 | 706,178,475 |
| | P 732,104,322 | P - | P 20,761,994 | P 752,866,316 |

*Credit Risk Exposure*
The table below shows the maximum exposure to credit risk of the Parent Company as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

**As at December 31, 2025**

| | **Gross Maximum Exposure (a)** | **Fair Value and financial effect of collateral or credit enhancement (b)** | **Net Exposure (c) = (a) – (b)** |
|---|---|---|---|
| Financial assets: | | | |
| Cash | **P 70,911,556** | **P -** | **P 70,911,556** |
| Trade and other receivables | **721,794,881** | **-** | **721,794,881** |
| | **P 792,706,437** | **P -** | **P 792,706,437** |

As at December 31, 2024

| | Gross Maximum Exposure (a) | Fair Value and financial effect of collateral or credit enhancement (b) | Net Exposure (c) = (a) – (b) |
|---|---|---|---|
| Financial assets: | | | |
| Cash | P 128,668,161 | P - | P 128,668,161 |
| Trade and other receivables | 765,610,747 | - | 765,610,747 |
| | P 894,278,908 | P - | P 894,278,908 |

As at December 31, 2023

| | Gross Maximum Exposure (a) | Fair Value and financial effect of collateral or credit enhancement (b) | Net Exposure (c) = (a) – (b) |
|---|---|---|---|
| Financial assets: | | | |
| Cash | P 46,687,841 | P - | P 46,687,841 |
| Trade and other receivables | 706,178,475 | - | 706,178,475 |
| | P 752,866,316 | P - | P 752,866,316 |

*Liquidity Risk*

Liquidity risk is the risk that the Parent Company will encounter difficulty in raising liquid funds to meet commitments as they fall due.

The Parent Company's policy is to continue to fund its working capital requirements as well as capital projects through external sources. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

The Parent Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility of its funds availability to meet expected maturing liabilities.

The outstanding unpaid loan availment from local banks as at December 31, 2025, 2024 and 2023 amounted to **P2,046,684,859**, P1,233,456,689 and P337,483,158, respectively. *(See Note 14)*

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to be contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Parent Company can be required to pay.

**December 31, 2025**

| | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash *(Note 9)* | **P 70,911,556** | **P 70,911,556** | **P -** | **P -** | **P -** | **P -** |
| Trade and other receivables *(Note 10)* | **721,794,881** | **721,794,881** | **-** | **-** | **-** | **-** |
| | **P 792,706,437** | **P 792,706,437** | **P -** | **P -** | **P -** | **P -** |
| **Financial liabilities** | | | | | | |
| Trade and other payables *(Note 16)* | **P 585,367,802** | **P 237,857,991** | **P -** | **P -** | **P 347,509,811** | **P -** |
| Loans and borrowings *(Note 14)* | **2,046,684,859** | **-** | **322,745** | **93,188,730** | **1,214,618,770** | **738,554,613** |
| | **P 2,632,052,661** | **P 237,857,991** | **P 322,745** | **P 93,188,730** | **P 1,562,128,581** | **P 738,554,613** |
| **Net asset (liability)** | **(P1,839,346,422)** | **P 554,848,446** | **(P 322,745)** | **(P 93,188,730)** | **(P 1,562,128,581)** | **(P 738,554,613)** |

December 31, 2024

| | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash *(Note 9)* | P 128,668,161 | P 128,668,161 | P - | P - | P - | P - |
| Trade and other receivables *(Note 10)* | 765,610,747 | 765,610,747 | - | - | - | - |
| | P 894,278,908 | P 894,278,908 | P - | P - | P - | P - |
| Financial liabilities | | | | | | |
| Trade and other payables *(Note 16)* | P 790,436,042 | P 293,583,323 | P - | P - | P 496,852,719 | P - |
| Loans and borrowings *(Note 14)* | 1,233,456,689 | - | 50,000,000 | 83,456,689 | 457,118,750 | 642,881,250 |
| | P2,023,892,731 | P 293,583,323 | P 50,000,000 | P 83,456,689 | P 953,971,469 | P 642,881,250 |
| Net asset (liability) | (P1,129,613,823) | P 600,695,585 | (P50,000,000) | (P 83,456,689) | (P 953,971,469) | (P 642,881,250) |

December 31, 2023

| | Total | On Demand | <3 months | 3-12 months | 1-5 years | >5 years |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash *(Note 9)* | P 46,687,841 | P 46,687,841 | P - | P - | P - | P - |
| Trade and other receivables *(Note 10)* | 685,416,981 | 685,416,981 | - | - | - | - |
| | P 732,104,822 | P 732,104,822 | P - | P - | P - | P - |
| Financial liabilities | | | | | | |
| Trade and other payables *(Note 16)* | P 833,937,655 | P 429,986,908 | P - | P - | P 403,950,747 | P - |
| Loans and borrowings *(Note 14)* | 337,483,158 | 20,816,492 | 33,333,333 | 150,000,000 | 133,333,333 | - |
| | P1,171,420,813 | P 450,803,400 | P 33,333,333 | P150,000,000 | P 537,284,080 | P - |
| Net asset (liability) | (P 439,315,991) | P 281,301,422 | (P33,333,333) | (P150,000,000) | (P 537,284,080) | P - |

***Capital Management***

The Parent Company's objective when managing capital are to increase the value of fund available for the Parent Company's operations and maintain growth by applying free cash flow to selective investments.

The Parent Company's source of capital is mainly from external borrowings. The Chief Finance Officer of the Parent Company has the overall responsibility for monitoring of capital requirements and its availability for Parent Company operational and capital expenditures. The above capital management objective and policy did not change during the current period. The Parent Company is not subject to externally imposed capital requirements unless required by regulatory agencies (i.e. ERC, NEA, etc.).

As at December 31, 2025, 2024 and 2023, the Parent Company's debt ratio and net debt ratio are as follows:

***Debt Ratio***

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Total debt (a) | **P 2,640,388,769** | P 2,028,215,067 | P 1,177,878,135 |
| Total equity | **3,244,318,428** | 3,157,700,294 | 3,151,427,063 |
| Total debt and equity (b) | **P 5,884,707,197** | P 5,185,915,361 | P 4,329,305,198 |
| Debt ratio (a/b) | **45%** | 39% | 27% |

***Net Debt Ratio***

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Total debt | **P 2,640,388,769** | P 2,028,215,067 | P 1,177,878,135 |
| Less: Cash | **70,911,556** | 128,668,161 | 46,687,841 |
| Net debt (a) | **2,569,477,213** | 1,899,546,906 | 1,131,190,294 |
| Total equity | **3,244,318,428** | 3,157,700,294 | 3,151,427,063 |
| Total debt and equity (b) | **P 5,813,795,641** | P 5,057,247,200 | P 4,282,617,357 |
| Debt ratio (a/b) | **44%** | 38% | 26% |

## NOTE 25 – FAIR VALUE MEASUREMENT

Set out below is a comparison of carrying value and fair value of the Parent Company's financial instruments as of December 31, 2025, 2024 and 2023:

| | 2025 | |
|---|---|---|
| | **Carrying value** | **Fair value** |
| Financial assets | | |
| Cash | **P 70,911,556** | **P 70,911,556** |
| Trade and other receivables | **721,794,881** | **721,794,881** |
| | **P 792,706,437** | **P 792,706,437** |
| Financial liabilities | | |
| Trade and other payables | **P 585,367,802** | **P 585,367,802** |
| Loans and borrowings | **2,046,684,859** | **2,046,684,859** |
| | **P 2,632,052,661** | **P 2,632,052,661** |

| | 2024 | | | |
|---|---|---|---|---|
| | Carrying value | | Fair value | |
| Financial assets | | | | |
| Cash | P | 128,668,161 | P | 128,668,161 |
| Trade and other receivables | | 765,610,747 | | 765,610,747 |
| | P | 894,278,908 | P | 894,278,908 |
| Financial liabilities | | | | |
| Trade and other payables | P | 790,436,042 | P | 790,436,042 |
| Loans and borrowings | | 1,233,456,689 | | 1,233,456,689 |
| | P | 2,023,892,731 | P | 2,023,892,731 |

| | 2023 | | | |
|---|---|---|---|---|
| | Carrying value | | Fair value | |
| Financial assets | | | | |
| Cash | P | 46,687,841 | P | 46,687,841 |
| Trade and other receivables | | 685,416,981 | | 685,416,981 |
| | P | 732,104,822 | P | 732,104,822 |
| Financial liabilities | | | | |
| Trade and other payables | P | 833,937,655 | P | 833,937,655 |
| Loans and borrowings | | 337,483,158 | | 337,483,158 |
| | P | 1,171,420,813 | P | 1,171,420,813 |

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, trade and other receivables, trade and other payables, current portion of long-term debt approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Noncurrent portion of the loans payable is carried at the outstanding principal amounts of the loan which approximates their fair values.

## NOTE 26 – OTHER MATTERS AND SUBSEQUENT EVENTS

- Recent global geopolitical conflicts have contributed to increased volatility in international oil prices. As the Philippines relies significantly on imported petroleum products, sustained increases in global fuel prices may affect domestic inflation, transportation costs, and the overall economic environment in which the Parent Company operates.

  Management continues to monitor these developments and assess their potential impact on the Parent Company's operations. As of the date of these financial statements, the financial impact, if any, cannot yet be reasonably determined.

- On October 21, 2021, the Parent Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled " In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". This motion aimed to seek reconsideration of the ERC's decision which would affect the Parent Company's financial flow at its Camiguin Power Plant. On September 15, 2022, the ERC denied the pending motion regarding the case with CAMELCO. The Parent Company reached an amicable settlement with CAMELCO concerning its payment schedule plans. A provision for doubtful accounts amounting to P10,380,997 was recognized in 2023 *(See Note 10)*. On June 27, 2023, the ERC directed the Parent Company and CAMELCO to submit necessary documents. Consequently, the Parent Company complied with the ERC directives in August 2023. As of December 31, 2025, the Parent Company is still awaiting resolution. The management will continue to assess the collectability of the account and may consider writing-off the amount in the future.

- The Parent Company is facing expiring contracts that will affect its cash inflows. To address this, the Parent Company has actively pursued the renewal of expiring Power Supply Agreements and entered into new ones *(See Note 18)*. In 2023, the Parent Company signed a firm Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines for its MOPP2 and MOPP3. Additionally, the Parent Company participated in the Competitive Selection Process for the 15MW Supply of Power in the Municipality of El Nido, Palawan. A Notice of Award was issued on January 9, 2024, by Palawan Electric Cooperative (PALECO) to KEGI, in accordance with the Bidding Procedures and Guidelines for the conduct of the Competitive Selection Process. The 15MW Contracted Capacity has a 15-year term. Joint Application for the Approval of the Power Supply Agreement between PALECO and KEGI has been filed with the ERC last November 20, 2024 under ERC Case No. 2024-156 RC entitled: "In the Matter For the Approval of the Power Supply Agreement Between King Energy Generation Inc. (KEGI) and Palawan Electric Cooperative (PALECO), with prayer for Provisional Authority and Motion for Confidential Treatment of Information". The case was submitted for ERC resolution.

  As of December 31, 2025, there is an on-going mothballing application and rehabilitation of the facilities in its MOPP1.

  The Parent Company's MOPP2 also supplies power to the Independent Market Operator (IEMOP) through the Wholesale Electricity Spot Market (WESM) and the National Grid Corporation of the Philippines through Ancillary Services Procurement Agreement (ASPA).

- On February 20, 2024, the Parent Company filed a case through a third party counsel against Misamis Oriental II Electric Service Cooperative Inc. (MORESCO II) which was docketed by the Energy Regulatory Commission (ERC) as ERC Case No. 2024-002 DR, entitled "In the Matter of the Petition to Dispute Resolution On the Interpretation of the Closing Date of the Power Supply Agreement Dated May 24, 2011 Between King Energy Generation Inc. and Misamis Oriental II Electric Service Cooperative Inc." As of December 31, 2025, KEGI is awaiting the issuance by the ERC of its Resolution of the case.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated to offer or sell to the public a portion of not less than 15% of their common stock.

  As of November 13, 2024, the Securities and Exchange Commission – Market and Securities Regulation Department issued in favor to KEGI a Certificate of Permit to Offer Securities for Sale certifying that the securities of KEGI consisting of 4.5 Million Shares with a par value of Php 100 per share, to be offered at P123.98 per share, covered under SEC MSRD Order No., 101, Series of 2024, have been registered pursuant to the requirements of Sections 8 and 12 of the Securities and Regulation Code.

- ***Subsequent Event – Suspension of WESM Operations***
  Subsequent to the reporting date, the Energy Regulatory Commission (ERC) announced the temporary suspension of operations of the Wholesale Electricity Spot Market (WESM) across the Luzon, Visayas, and Mindanao grids, following the declaration of a state of national energy emergency under Executive Order No. 110 due to global oil supply disruptions and resulting price volatility. The suspension took effect at 12:05 a.m. on March 26, 2026.

  During the suspension period, the power system operates under Special Operating Guidelines issued by the Department of Energy, and a Modified Administered Pricing mechanism is being implemented to determine electricity prices based on technology-specific considerations and prevailing fuel costs.

  The Company participates in WESM as part of its power sales activities. Management is currently evaluating the implications of these developments on its revenue recognition, pricing mechanisms, and related balances, including receivables and payables arising from electricity sales and purchases.

  As of the date of these financial statements, the financial impact of the suspension and the implementation of alternative pricing mechanisms cannot yet be reasonably determined.

- The Parent Company's financial statements as at December 31, 2025 were approved and authorized for issue by the board of directors on April 13, 2026 were signed on its behalf by Engr. Edelyn Jane A. Salvame, the President.

## NOTE 27 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

On 5 January 2024, President Ferdinand R. Marcos Jr. signed Republic Act No. 11976, also known as the Ease of Paying Taxes Act (EOPT Act). The EOPT Act was published in the Official Gazette on 07 January 2024 and took effect on 22 January 2024.

The EOPT Act introduced amendments to the National Internal Revenue Code (NIRC) of 1997, with the aim to protect and safeguard the taxpayer rights and welfare, encourage proper and easy compliance, and modernize tax administration.

Some of the salient points of the EOPT Act follows:

- Taxpayers are now classified into the following categories, depending of their gross sales: micro, small, medium, and large taxpayers. Micro taxpayers are those with gross sales of less than Php3 million. The EOPT Act granted special concessions micro and small taxpayers, such as:

  - Maximum of two pages for their income tax returns;
  - Reduced rate of 10% (from 20%) for civil penalties under Sec. 248 of the NIRC;
  - 50% reduction on the interest rate imposed under Sec. 249 of the NIRC;
  - Reduced penalty of Php500 for failure to file certain information returns as provided under Sec. 250 of the NIRC; and
  - Reduced compromise penalty rate of at least 50% for violations of Sections 113, 237 and 238 of the NIRC.

- The EOPT Act also simplified the rules on timing of withholding by providing that the obligation to deduct and withhold tax arises at the time the income has become payable. Withholding of taxes is no longer a requirement for the deductibility of certain income payments.

- The basis for calculating VAT on the sale of services will now be gross sales rather than gross receipts. The official receipt has also been removed as a document for the sale of services, and a sales invoice is now required to be issued for both sale of goods and services. The Act also provides mechanism for the recovery of output VAT on uncollected receivables.

- To make tax filing and payments more convenient, the EOPT Act provides that tax returns may be filed, and taxes paid, electronically or manually, to the BIR, or through any authorized agent bank (AAB) or authorized tax software provider. The amendment effectively eliminates the 25% surcharge on wrong-venue filings.

- The EOPT Act revised the period to keep records of books of accounts to five years from the previous requirement of ten years. It also adjusted the threshold amount for mandatory issuance of an invoice from Php100 to Php500.

- Payment of the Php500 annual registration fee has also been removed.

The Parent Company complies with the rules under the EOPT when applicable.

The President of the Philippines 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. It took effect on April 11, 2021 (15 days after its complete publication in the Office Gazette or in a newspaper of the general circulation).

The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% or 20% as applicable for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 Million and with total assets not exceeding P100 Million (Excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is to 25% or 20% as applicable.

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

The CREATE Act do not have a significant impact on the Parent Company's financial statements.

On December 18, 2020, the BIR issued RR No. 34-2020, to prescribe the guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions (Domestic and/or Foreign), Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

**Revenue Regulations (RR) No. 15-2010** (issued on December 10, 2010), an act amending certain provisions of RR No. 21-2002, provides that effective December 10, 2010, the disclosures on the Notes to Financial Statements as mandated under PFRS Accounting Standards and such other standards and/or conventions as may heretofore be adopted, shall include information on taxes paid or accrued during the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS Accounting Standards.

In compliance to the foregoing RR, the following taxes were paid/accrued by the Parent Company as at December 31, 2025:

**Output VAT**

The Parent Company is VAT registered with output tax declaration of **P70,932,391** for the year based on the amount of collected/accrued services. The total output VAT declared during the year includes collections from receivables/sales recognized prior to the effectivity date of the Ease of Paying Taxes (EOPT) Law in April 27, 2024.

**Input VAT**

The amounts of VAT input taxes claimed are broken down as follow:

| | |
|---|---|
| Beginning of the year | **P 2,246,095** |
| Current year's domestic purchases: | |
| Goods other than capital goods | **177,227,212** |
| Services | **9,241,280** |
| Claims for tax credit/ refund and other adjustments | **( 70,932,391)** |
| Balance at the end of the year | **P 117,782,196** |

**Withholding Taxes**

The total amount of tax withheld and remitted to the BIR are as follows:

| | |
|---|---|
| Expanded | **P 15,768,730** |
| Compensation | **1,829,629** |
| | **P 17,598,359** |

**Local and National Taxes**

Other local and national taxes paid and accrued in 2025 reported under cost of services and taxes and licenses account follows:

| | |
|---|---|
| Permits, accreditation, business permit and local taxes | **P 33,284,028** |
| Documentary stamp tax | **637,218** |
| | **P 33,921,246** |

**BP&Co.**
**BACONGA PATRIANA & Co.**
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street.
9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC.**
KEGI Bldg. Purok 10 Tablon, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** (the Parent Company) as at December 31, 2025, 2024 and 2023, and for each of the three years in the period ended December 31, 2025, 2024, and 2023, included in this Form 17-A, and have issued our report thereon dated April 13, 2026 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 Parent 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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

**BACONGA PATRIANA & CO.**
**By:**

**JESERIO C. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
Partner's SEC No. 123245-SEC, January 1, 2025 to December 31, 2025

Firm BOA/PRC Cert. of Reg. No. 2431, October 9, 2023 to October 8, 2026
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Firm NEA Accreditation No. 2026-01-00117, January 19, 2026 to January 18, 2029
Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**KING ENERGY GENERATION, INC.**

**SCHEDULE A - FINANCIAL ASSETS**

**CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS**

**December 31, 2025**

| Name of Issuing Entity and Description of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Statement of Financial Position/Notes | Value Baed on Market Quotations at End of reporting Period | Income Received and Accrued |
|---|---|---|---|---|
| At amortized cost: | | | | |
| Cash and cash equivalents | - | 70,911,556 | 70,911,556 | 65,064 |
| Trade and other receivables: | | | | |
| Receivable from customers | - | 418,422,090 | 418,422,090 | - |
| Due from related parties | - | 193,054,480 | 193,054,480 | - |
| Advances to contractors and suppliers | - | 109,066,911 | 109,066,911 | - |
| Advances to officers and employees | - | 1,251,400 | 1,251,400 | - |
| | | 792,706,437 | 792,706,437 | 65,064 |
| Total Financial assets | | **792,706,437** | **792,706,437** | **65,064** |

**KING ENERGY GENERATION, INC.**

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

**December 31, 2025**

| Name of Issuing Entity and Description of Each Issue | Balance at Beginning of Period | Additions | Collections | Write Offs | Balance at the End of Period | | |
|---|---|---|---|---|---|---|---|
| | | | | | Current | Noncurrent | Total |
| - Not applicable - | | | | | | | - |

**KING ENERGY GENERATION, INC.**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

**December 31, 2025**

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Collections | Write Offs | Balance at the End of Period | | |
|---|---|---|---|---|---|---|---|
| | | | | | Current | Noncurrent | Total |
| Maramag Mini Hydro Power Corporation | 180,557,904 | 9,790,929 | 6,936,122 | - | 183,412,711 | - | 183,412,711 |
| Calatngan Hydro Power Corporation | 1,217,959 | 13,330 | - | - | 1,231,289 | - | 1,231,289 |
| Sulipat Hydro Power Corporation | 8,156,724 | 253,756 | - | - | 8,410,480 | - | 8,410,480 |
| | **189,932,587** | **10,058,015** | **6,936,122** | - | **193,054,480** | - | **193,054,480** |

**KING ENERGY GENERATION, INC.**

**SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS**

**December 31, 2025**

| Description | Beginning Balance | Additions at cost | Collections | Charged to Cost and Expenses | Charged to Other Accounts | Other Changes - Additions | Ending Balance |
|---|---|---|---|---|---|---|---|
| - Not applicable - | | | | | | | |

**KING ENERGY GENERATION, INC.**

**SCHEDULE E - LONG-TERM DEBT**

**December 31, 2025**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Current Portion pf Long-Term Debt | Long-Term Debt |
|---|---|---|---|
| Loans and borrowings | | 93,722,920 | 1,952,961,939 |
| | | **93,722,920** | **1,952,961,939** |

**KING ENERGY GENERATION, INC.**

**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**

**December 31, 2025**

| Name of Related Party | Balance at Beginning of Period | Balance at End of Period |
|---|---|---|
| - Not applicable - | | |

**KING ENERGY GENERATION, INC.**

**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**December 31, 2025**

| Name of Issuing Entity of Securities Guaranteed by the Company for which the Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which Statement is Filed | Nature of Guarantee |
|---|---|---|---|---|
| - Not applicable - | | | | |

**KING ENERGY GENERATION, INC.**

**SCHEDULE H - CAPITAL STOCK**

**December 31, 2025**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption | Number of Shares Reserved for Options, Warrants, Conversion and Other Rights | Affiliates | Directors and Officers | Others |
|---|---|---|---|---|---|---|
| Capital Stock | 30,000,000 | 26,349,624 | 218,000 | - | 25,282,000 | 218,000 |
| | 30,000,000 | 26,349,624 | 218,000 | - | 25,282,000 | 218,000 |

**BP&Co.**
**BACONGA PATRIANA & Co.**
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
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9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
**KING ENERGY GENERATION, INC.**
KEGI Bldg., Purok 10, Tablon, Cagayan de Oro City

We have examined the financial statements of **KING ENERGY GENERATION, INC.** for the year then ended December 31, 2025, on which we have rendered the attached report dated April 13, 2026.

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** (the Parent Company) as at December 31, 2025, 2024 and 2023, and for each of the three years in the period ended December 31, 2025, 2024 and 2023, and have issued our report thereon April 13, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Parent Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS Accounting Standards) 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 PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Parent Company's financial statements as at December 31, 2025, 2024 and 2023 and for each of the three years in the period ended December 31, 2025, 2024 and 2023 and no material exceptions were noted. In compliance with SRC rule 68, we are stating that the said Parent Company has a total number of 35 stockholder owning 100 or more shares each.

**BACONGA PATRIANA & CO.**
**By:**

**JESERIO C. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028
Partner's SEC No. 123245-SEC, January 1, 2025 to December 31, 2025

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Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**KING ENERGY GENERATION, INC.**
**FINANCIAL SOUNDNESS INDICATORS**
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

| Ratio | Formula | | | 2025 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| Current Ratio | Total Current Assets divided by Total Current Liabilities | | | | | |
| | Total Current Assets | P | 1,125,619,668 | | | |
| | Divide by: Total Current Liabilities | | 331,580,911 | | | |
| | Current Ratio | | 3.39 | 339% | 269% | 106% |
| Acid Test Ratio | Quick Assets *(Total Current Assets less Materials and Supplies and Prepayments and ther Current Assets)* divided by Total Current Liabilities | | | | | |
| | Total Current Assets | P | 1,125,619,668 | | | |
| | Less: Materials and Supplies | | (54,730,900) | | | |
| | Prepayments and Other Current Assets | | (298,944,325) | | | |
| | Quick Assets | | 771,944,443 | | | |
| | Divide by: Total Current Liabilities | | 331,580,911 | | | |
| | Acid Test Ratio | | 2.33 | 233% | 205% | 75% |
| Solvency Ratio | Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities | | | | | |
| | Total Comprehensive income | P | (18,718,250) | | | |
| | Add: Depreciation and Amortization | | 253,151,294 | | | |
| | | | 234,433,044 | | | |
| | Divide by: Total Liabilities | | 2,640,388,769 | | | |
| | Solvency Ratio | | 0.09 | 9% | 2% | 2% |
| Debt-to-Equity Ratio | Total Liabilities divided by Total Equity | | | | | |
| | Total Liabilities | P | 2,640,388,769 | | | |
| | Divide by: Total Equity | | 3,244,318,428 | | | |
| | Debt-toEquity Ratio | | 0.81 | 81% | 64% | 49% |
| Asset-to-Equity Ratio | Total Assets divided by Equity Attributable to Parent | | | | | |
| | Total Assets | P | 5,884,707,197 | | | |
| | Divide by: Equity Attributable to Parent | | 3,244,318,428 | | | |
| | | | 1.81 | 181% | 164% | 151% |
| Interest Rate Coverage Ratio | Earnings before Income Tax, Depreciation and Amortization *(Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortixation less Interest Income)* divided by Interest Expense | | | | | |
| | Net Income | P | (19,880,121) | | | |
| | Add: Provision for Income Tax | | - | | | |
| | Interest Expense | | 28,792 | | | |
| | | | (19,851,329) | | | |
| | Less: Interest Income | | (65,064) | | | |
| | EBIT | | (19,916,393) | | | |
| | Add: Depreiation and Amortization | | 253,151,294 | | | |
| | EBITDA | | 233,234,901 | | | |
| | Divide by: Interest Expense | | 28,792 | | | |
| | Interest Expense Coverage Ratio | | - | 0% | 0% | 28% |

**KING ENERGY GENERATION, INC.**
**FINANCIAL SOUNDNESS INDICATORS**
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

| Ratio | Formula | | | 2025 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| Return on Equity | Total Comprehensive Income divided by Average Total Equity<br>*(Total Equity PY + Total Equity CY divided by 2)* | | | | | |
| | Total Comprehensive Income | P | (18,718,250) | | | |
| | Total Equity CY | | 3,244,318,428 | | | |
| | Total Equity PY | | 3,157,700,294 | | | |
| | Average Total Equity | | 3,201,009,361 | | | |
| | Return on Equity | | (0.01) | -1% | 0% | 0% |
| Return on Assets | Total Comprehensive Income divided by Average Total Assets<br>*(Total Assets PY + Total Assets CY divided by 2)* | | | | | |
| | Total comprehensive Income | P | (18,718,250) | | | |
| | Total Assets CY | | 5,884,707,197 | | | |
| | Total Assets PY | | 5,185,915,361 | | | |
| | Average Total Assets | | 5,535,311,279 | | | |
| | Return on Assets | | (0.00) | 0% | 0% | 0% |
| Net Profit Margin | Net Income Attribiutable to Parent divided by Revenue | | | | | |
| | Net Income Attributable to Parent | P | (19,880,121) | | | |
| | Divide by: Revenue | | 545,460,524 | | | |
| | Net Income Margin | | (0.04) | -4% | 0% | 1% |

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 2431-SEC
NEA Accreditation No. 2026-01-000117
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

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9000 Cagayan de Oro City
Contact No. 09175554481, 09175559116 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

# REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
**KING ENERGY GENERATION, INC.**
KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** as at December 31, 2025, 2024 and 2023 and for the years then ended, and have issued our report thereon dated April 13, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule on the *Reconciliation of the Unappropriated Retained Earnings Available for Dividend Declaration of the Company* for the year ended December 31, 2025 for submission to the Securities and Exchange Commission are the responsibility of the Parent Company's management.

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**BACONGA PATRIANA & CO.**
By:

**JESERIO C. LONON, JR.**
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5608993 A - January 5, 2026, Cagayan de Oro City
BIR AN 16-005517-003-2026, February 2, 2026 to February 2, 2029
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Firm CDA No. 27-AF, April 16, 2024 to April 15, 2029
Firm NEA Accreditation No. 2026-01-00117, January 19, 2026 to January 18, 2029
Firm SEC Accreditation No. 2431-SEC, January 1, 2025 to December 31, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
April 13, 2026

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**For the reporting period ended December 31, 2025**

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
**KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City**

| | | | AMOUNTS |
|---|---|---|---|
| **Unappropriated Retained Earnings, as of January 1, 2025** | | | **₱ 267,981,822** |
| Add: | **Category A: Items that are directly credited to Unappropriated Retained Earnings** | | |
| | Reversal of Retained Earnings Appropriation/s | - | |
| | Effect of restatements or prior-period adjustments | - | |
| | Others | - | - |
| Less: | **Category B: Items that are directly debited to Unappropriated Retained Earnings** | | |
| | Dividend declaration during the reporting period | - | |
| | Retained Earnings appropriated during the reporting period | - | |
| | Effect of restatements or prior-period adjustments | - | |
| | Others | - | - |
| **Unappropriated Retained Earnings, as adjusted** | | | **267,981,822** |
| **Add/Less: Net Income (loss) for the current year** | | | **(19,880,121)** |
| **Less:** | **Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)** | | |
| | Equity in net income of associate/joint venture, net of divedends declared | - | |
| | Unrealized foreign exchange gain, except those attributable to cash and cash equivalents | - | |
| | Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | - | |
| | Unrealized fair value gain of Investment Property | - | |
| | Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under the PFRS | - | |
| | Sub-total | | - |
| **Add:** | **Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)** | | |
| | Realized foreign exchange gain, except those attributable to Cash and cash equivalents | - | |
| | Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | - | |
| | Realized fair value gain of Investment Property | - | |
| | Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | - | |
| | Sub-total | | - |
| **Add:** | **Category C.3: Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)** | | |
| | Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents | - | |
| | Reversal of previously recorded fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | - | |
| | Reversal of previously recorded fair value gain of Investment Property | - | |
| | Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded | - | |
| | Sub-total | | - |
| **Adjusted Net Income/Loss** | | | **(19,880,121)** |

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**For the reporting period ended December 31, 2025**

**KING ENERGY GENERATION, INC. AND SUBSIDIARIES**
**KEGI Bldg., Purok 10 Tablon, Cagayan de Oro City**

| | | | AMOUNTS |
|---|---|---|---|
| **Add:** | **Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)** | | |
| | Depreciation on revaluation increment (after tax) | - | |
| | Sub-total | | - |
| **Add/Less:** | **Category E: Adjustments related to relief granted by the SEC and BSP** | | |
| | Amortization of the effect of reporting relief | - | |
| | Total amount of reporting relief granted during the year | - | |
| | Others | - | |
| | Sub-total | | - |
| **Add/Less:** | **Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution** | | |
| | Net movement of treasury shares (except for reacquisition of redeemable shares) | - | |
| | Net movement of deferred tax asset not considered in the reconciling items under the previous categories | (37,090,985) | |
| | Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set-up of service concession asset and concession payable | - | |
| | Adjustment due to deviation from PFRS/GAAP - gain (loss) | - | |
| | Others | - | |
| | Sub-total | | **(37,090,985)** |
| **Total Retained Earnings, end of the reporting period available for dividend** | | **₱** | **211,010,716** |

**KING ENERGY GENERATION, INC.**
**SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR-FEE RELATED INFORMATION**
**For the year-ended December 31, 2025**

| | **2025** | 2024 | 2023 |
|---|---|---|---|
| Total audit fees | **892,857** | 1,312,500 | 1,000,000 |
| Non-audit service fees: | | | |
| Other assurance services | - | - | - |
| Tax services | - | - | - |
| All other services | - | - | - |
| Total non-audit fees | - | - | - |
| Total audit and non-audit fees | **892,857** | 1,312,500 | 1,000,000 |
| Audit and non-audit fees of other related entities | | | |
| Audit fees | - | - | - |
| Non-audit fees | | | |
| Other assurance services | - | - | - |
| Tax services | - | - | - |
| All other services | - | - | - |
| Total audit and non-audit fees | - | - | - |