COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

2 n d   F l o o R   W   T O W E R   C O N D O M I N I U M ,
3 9 t h   S t .   N O R T H   B O N I F A C I O   T R I A N G L E
B O N I F A C I O   G L O B A L   C I T Y   T A G U I G   C I T Y

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

Efren A. Realeza Jr.
(Contact Person)

864-0734
(Company Telephone Number)

1 2 | 3 1
Month *Day*
(Fiscal Year)

1 7 - A
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

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

1. For the fiscal year ended **December 31, 2020**

2. Commission identification number **A1996-10620** 3. BIR TIN: **005-038-162-000**

4. Exact name of issuer as specified in its charter **TKC METALS CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code : **1231**

 2nd Floor W Tower Condominium 39th St., North Bonifacio Triangle,
 Bonifacio Global City, Taguig City, Philippines

8. Issuer's telephone number, including area code

 (02) 864-0734

9. Former name, former address and former fiscal year, if changed since last report

 TKC Steel Corporation
 Unit B1-A/C, 2nd Flr. Bldg. B, Karrivin Plaza, 2316 Chino Roces Ave. Ext., Makati City

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**940,000,000**

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

 Yes **[•]** No [ ]

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

 Philippine Stock Exchange - 940,000,000 Common

12. Indicate by check mark whether the registrant:

 (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
 Yes **[•]** No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes **[•]** No [ ]

State the aggregate market value of the voting stocks held by non-affiliates of the registrant.

Ps. 322,139,294 (as of March 31, 2021)

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PART II - OPERATIONAL AND FINANCIAL INFORMATION

PART I - BUSINESS AND GENERAL NFORMATION

ITEM 1 - BUSINESS

General Information

TKC Metals Corporation, formerly TKC Steel Corporation (the Parent Company or TKC) was organized and registered with the Securities and Exchange Commission (SEC) on November 28, 1996. TKC's shares of stock were listed for trading in the Philippine Stock Exchange (PSE) July 20, 2001. The Parent Company is primarily a holding company and is also engaged in marketing and selling of purlins and galvanized iron (GI) sheets.

On January 19, 2007, Star Equities, Inc. (SEI) entered into a Memorandum of Agreement (MOA) with the then major shareholders of SQL*Wizard, Inc, intending the latter to be its backdoor listing vehicle for its investment in the steel business. In line with its plan to shift its business direction to new areas, both foreign and domestic, SQL and its shareholders decided to take advantage of the new investment opportunities that would be brought about by the entry of SEI as an investor in SQL. On this basis, SEI agreed to become a shareholder of SQL by initially subscribing to 240,000,000 new common shares following the increase of the latter's capital stock. Thereafter, with the change of its primary business, SQL was renamed TKC Steel Corporation, as approved by the SEC on February 28, 2007. Likewise, on July 25, 2007, the PSE approved the reclassification of TKC's listing status from the SME Board to the Second Board subject to the conditions specified in the Notice of Approval issued by the PSE. The conditions stated in said notice specifically the minimum number of stockholders and minimum offering to the public given its market capitalization, were complied with after the conduct of a Follow-On Offering of shares by the Corporation which culminated with the listing of the offer shares on November 23, 2007.

Business Consolidation

In meetings held on February 9, 2007, the Board of the Corporation and its shareholders approved the following resolutions:

(a) The amendment of the articles of incorporation, whereby:

i. The primary purpose will be changed to that of a holding company;
ii. The corporate name will be changed from "SQL *Wizard, Inc." to "TKC
Steel Corporation";
iii. The principal office may be changed upon the Board's determination;
iv. A provision on the denial of pre-emptive rights will be inserted in the Seventh Article; and
v. The number of directors will be increased from 7 to 9.

(b) The increase in the Corporation's authorized capital stock from P40.0 million, divided into 40 million shares with par value of P1.00 a share to P1.0 billion, divided into 1.0 billion common shares with the same par value.

(c) The subscription by SEI to 240 million common shares at subscription price of P1.00 per share or total subscription price of P240.0 million.

(d) The assignment and/or sale of all and/or substantially all the Corporation's existing IT business assets to a new corporation.

These amendments were approved by the SEC on February 28, 2007, except for the increase in authorized capital stock, which was approved on April 13, 2007.

On June 22, 2007, the SEC approved the amendment to the primary purpose of the Corporation, as follows:

> "To invest in, operate, purchase, own, hold, use, develop, lease, trade, sell, exchange, deal in, on its own behalf or as agent or commission merchant, assign, transfer, encumber, and engage in the business of, either directly or indirectly, smelting, fusing, shaping, rolling, casting, fabricating, extruding or otherwise developing or processing of metals, steel or other alloys of metallic, non-metallic compounds, substances and raw materials of every nature, kind or description, and to invest in stocks, bonds, or other evidences of indebtedness or securities of any other corporation, domestic or foreign, whether engaged in the steel business or otherwise; Provided, that the Corporation shall not engage in the business of an Open End Investment Company as defined in the Investment Company Act (R.A. 2629), without first complying with the provisions of the Revised Securities Act; Provided, Further, that it shall not act as a Broker or Dealer of Securities.

Conformably with the change in business operations, the following transactions were consummated:

(a) Subscription of SEI into TKC

As stated above, SEI subscribed to 240.0 million common shares at P1.00 per share, out of the increase in authorized capital stock by the Corporation. Such subscription increased the outstanding number of common shares to 265.0 million with SEI owning 90.57% of the equity of TKC.

On April 16, 2007, SEI subscribed to an additional 440.0 million common shares, increasing its equity interest to 680.0 million shares out of the total outstanding capital stock of 705.0 million shares representing 96.45% ownership interest in TKC.

(b) Transfer of SEI Subsidiaries to TKC

As disclosed in Note 1 to the consolidated financial statements, SEI intended TKC to be its vehicle for listing of its investments in the steel business. Consistent with this direction, SEI consolidated its interests in Treasure Steelworks (TSC) and

Billions Steel International Limited (Billions) (together with the latter's 90% interest in Zhangzhou Stronghold Steel Works Co. Ltd. (ZZS)) as follows:

i) Acquisition of Billions

On April 30, 2007, an agreement was executed whereby major shareholder, SEI, assigned all of its interest in Billions to TKC for P 594,056,700. Billions has a 90% direct interest in ZZS. Billions is a limited liability corporation incorporated under the laws of the Republic of Mauritius. ZZS was incorporated under the laws of the People's Republic of China on July 13, 2005. On January 9, 2009, Billions Steel International Limited, a corporation incorporated in Mauritius sold its entire interest in ZZ Stronghold to Billions Steel International Limited, a corporation registered in Hong Kong. It immediately began construction of its facilities thereafter. Its first batch of manufactured steel pipes was completed and sold in June 2007. Commercial operations of ZZS began officially after acceptance by its customer of the first batch of steel pipes manufactured and delivered.

ii) Acquisition of TSC

On June 29, 2007, SYL Holdings, Inc. and Billions (in-trust for the controlling shareholder group of SEI) each owning 48% in TSC, collectively transferred their shareholdings consisting of 479,998 shares and 479,997 shares, respectively, with the total par value of P95,999,500.00 to TKC on account. After execution of the Deed of Sale, TKC has 96% direct interest in Treasure.

As part of the restructuring, SEI transferred its business to TKC. TKC's consolidated financial statements now include the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Nature of Business	Percentage of Ownership	
			Direct	Indirect
Treasure Steelworks Corporation (TSC)	Philippines	Manufacture of steel products	98%	–
Billions Steel International Limited (Billions)	Hong Kong	Investment holdings	100%	–
Zhangzhou Stronghold Steel Works Co. Ltd. (ZZS)	People's Republic of China or PRC	Manufacture of steel pipes	–	91%*
Campanilla Mineral Resources, Inc. (Campanilla)**	Philippines	Mineral production	70%	–

* *Through Billions*
** *Has not commenced commercial operations*

The Parent Company and its subsidiaries are collectively referred to as "the Group". Star Equities, Inc. (SEI) owns 70.96% of the Parent Company. The ultimate parent company of TKC is JTKC Equities, Inc. (JEI). Both companies were incorporated in the Philippines.

On December 21, 2018, the Parent Company applied for the amendment of its articles of incorporation for the change of the principal office address. As at report date, the SEC's approval on the change of the principal address is still pending.

On December 1, 2020, the Board of Directors (BOD) approved the amendment of the Parent Company's AOI to change the company's corporate name from TKC Metals Corporation to Textra Corporation and the reduction of the number of the Parent Company's BOD from eleven (11) to seven (7). These were subsequently approved by the stockholders on January 15, 2021. As at report date, the SEC's approval on the amendment of the AOI is still pending.

The principal office address of the Parent Company is 2nd Floor W Tower Condominium 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City.

The registered office address of the Parent Company is Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City.

Business of Issuer

Products

TKC is organized as an operating and holding company engaged in the manufacturing and the distribution of various steel products primarily through its two (2) subsidiaries, as follows:

(a) Treasure Steelworks Corporation (TSC)

TSC was incorporated with the primary purpose of operating a smelting, melting and rolling plant, among others. It manufactures steel billets which in turn become the raw materials of downstream steel products such as bars, wire rods and sections.

(b)Zhangzhou Stronghold Steel Works Co. Ltd. (ZZS)

ZZS manufactures the following steel pipes: (i) ERW and spiral welded pipes for general construction, water transmission and structural uses; and (ii) prospectively, seamless pipes for the oil and gas development industry. ZZS offers a wide range of specifications of steel pipes ranging from an outer diameter of 219 mm to 1920 mm, length up to 6 meters long, and thickness from 4mm to 20mm.

Operational Situation

The recent years from the end of 2013 saw the downward spiraling of the prices of steel. Both TSC and ZZS were constrained to reduce their operation for the past years. Furthermore, the scarcity and high cost of raw scrap materials and lack of sufficient electric power in the Mindanao area severely hampered TSC's continuous production of its main product line. Realizing the volatility of steel prices and the continued problem on power supply, the Management has embarked on a restructuring and diversification of its product lines that demand a higher export prices, price is less volatile in the world market, better world-wide demand and less dependency on electric power supply.

Management Plans

Potential Investor

In 2020, the Company has also been negotiating with third parties for potential business ventures. The Company intends to explore new investment opportunities, particularly in technology businesses and broadband internet, to diversify its portfolio and generate revenue to sustain Group's operations and to meet the Group's maturing obligations.

This business venture will enable entrepreneurs a full suite of solution to establish and operate their very own broadband company. The project aims to bring seamless connectivity using wired, wireless and VSAT capabilities for all the cities, municipalities and all the networking communities in the country. This will make internet universally accessible for everyone in the Philippines. The service extends from the basic connectivity on-wards to e-learning, e-health, security services, e-commerce and all the opportunities the internet brings.

Big market and major investor opportunity await this project as the demand for the internet services to address our basic needs and services, communications and deliveries continue to be strong amid the significant restrictions and limitations brought about by the Covid-19 Pandemic in our everyday lives. On the revenue streams, we are focusing on three profit centers namely Prepaid Card Sales combined with Subscription, Digital Platform combined with Subscription and Big Data and Analytics.

Equity Restructuring

On September 3, 2018, the BOD approved the increase in authorized capital of the Parent Company from ₱1,000.0 million divided into 1,000.0 million shares at ₱1 par value a share, to ₱3,000.0 million divided into 3,000.0 million shares at ₱1 par value a share.

On September 3, 2018, the BOD also approved the increase in authorized capital of TKC from ₱1,000.0 million divided into 1,000.0 million shares at ₱1 par value per share, to ₱3,000.0 million divided into 3,000.0 million shares at ₱1 par value per share.

Of the increase in authorized capital stock of ₱2,000.0 million divided into 2,000.0 million shares at ₱1 par value a share, 750.0 million shares will be subscribed by third parties for ₱1,500.0 million. The subscriptions will be paid in full by converting their assigned advances from Treasure to the Parent Company to equity (see Note 14).

On September 3, 2018, the BOD approved the subscription and debt to equity conversion.

On October 25, 2018, the increase in authorized capital stock was approved by the stockholders. The Parent Company applied for the increase in authorized capital stock with the SEC on December 21, 2018. As at report date, the SEC's approval on the increase in authorized capital stock is still pending.

The advances for debt-to-equity conversion was classified as "Deposits for future subscription" under "Equity" in the consolidated statements of financial position.

Organizational Restructuring

The Management is reviewing the current organizational set-up to implement management plans and programs of the Group.

Status of Operations of Main Steel Subsidiaries

Parent Company

In 2015, the Parent Company stopped the marketing and selling of purlins and GI sheets, its main business activity other than as a holding company. The Parent Company incurred total comprehensive loss of ₱105.9 million, ₱54.4 million and ₱1,519.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Related parties have continued to provide the necessary financial support to the Group to sustain operations and to meet the Group's maturing obligations. In 2018, a stockholder assigned ₱1,500.0 million of his advances to Treasure to foreign investors who, in turn, reassigned these advances to the Parent Company and applied the advances against their subscriptions to the Parent Company's increase in authorized capital stock.

In 2020, the Company has also been negotiating with third parties for potential business ventures. The Company intends to explore new investment opportunities, particularly in technology businesses and broadband internet, to diversify its portfolio and generate revenue to sustain Group's operations and to meet the Group's maturing obligations.

Treasure Steelworks

As at December 31, 2020, Treasure has not resumed operations. Treasure's total comprehensive loss for the years ended December 31, 2020, 2019 and 2018 amounted to ₱46.9 million, ₱72.6 million and ₱43.3 million, respectively, resulting to a capital deficiency of ₱2,689.8 million and ₱2,642.9 million as at December 31, 2020 and 2019, respectively.

In 2013, Treasure suspended its plant operations (production of steel billets) in Iligan City and terminated its contract with plant employees due to shortage in power supply in Mindanao. Treasure, however, is planning to produce nickel concentrate and nickel pig iron instead to lessen the plant's power supply requirement. By shifting to nickel concentrate and nickel pig iron, the power supply requirement will drop to 5 megawatts per hour (MWPH) as compared to producing steel billets at 15 to 20 MWPH.

Treasure has almost completed the refurbishment and upgrade of the billet manufacturing plant and the installation of the iron ore beneficiating plant, sintering plant and the first blast furnace plant. An investment from a prospective investor will be used to complete the plant facilities. These facilities can also be used to produce nickel concentrate and nickel pig iron.

Treasure is looking into a new technology for nickel leaching. This chemical process will take only two hours to extract nickel from laterite ores and will result to a nickel recovery rate of 20-50%. Treasure is currently in discussion with a third party to provide the technology, consultancy, installation and supervision of the required equipment; and to supply the patented chemical in the production that will guarantee the quality and consistency of nickel concentrate.

The processing plant will be developed in Iligan City to accommodate future expansion on this new environmentally-friendly nickel-leaching technology. Treasure is also securing all the necessary permits to ensure compliance on environmental law in line with the planned diversification of operation from billets to nickel concentrate.

The Management plans to start the rehabilitation of the plant facilities and installation of the new equipment for nickel concentrate as soon as we generate revenue from nickel leaching.

ZZ Stronghold
ZZ Stronghold’s has been incurring continuing operating losses resulting to a capital deficiency of ₱1,097.3 million and ₱1,151.1 million as at December 31, 2020 and 2019, respectively, primarily due low production and sales volume coupled with the low price in the steel market in China.   ZZ Stronghold has been intensifying its marketing efforts and improving business opportunities to increase sales and generate improved results to reduce capital deficiency.

In March 2021, ZZ Stronghold partnered with a third party and resumed the construction and of its plant facilities for the added business lines on fabrication, coating and galvanizing which is estimated to be completed this year pending all documentations before it would be allowed to be operational in 2022. Moreover, ZZ Stronghold is also planning to ventured into a heavy industrial structure project for its available idle land. These new business opportunities will add more value to our existing Spiral and ERW lines respectively while the fabrication service will be the new business unit from our pipe unit.

In addition, ZZ Stronghold is planning to develop its vacant properties to accommodate a new venture which will generate additional income that will help improve its financial condition and results of operations. ZZS is currently in talks for partnership with interested parties to develop idle land to build our own port or berth and will house the requirements of the heavy industry structures.

In 2020, the country and the world experienced the coronavirus (COVID-19) pandemic resulting to a slowdown in the economies all over the world. As a result, ZZ Stronghold's operations were likewise affected.

Management has assessed that the effect of the global pandemic had a significant impact on ZZ Stronghold's operations and financial performance as at and for the year ended December 31, 2020. However, the business operations in China is fast recovering starting second quarter of 2021 and the operations of the steel manufacturing industry has been resumed as steel prices return to normal. The stockholders and other related parties of the Group committed to provide continuous financial support to ZZ Stronghold to meet its obligations.

With the present ZZS's reduced of operation and TSC's suspended operation sale generated and the resulting net loss of TKC, TSC and ZZS (China) are presented below, broken down according to major markets (in millions):

(a) Sales

Country	Amount	%
Philippines	Ps. 0.00	0
China	512	100

(b) Net Loss

Country	Amount	%
Philippines	Ps.93	55
China	77	45

Distribution

Steel billets produced by TSC are primarily sold to local customers. On a limited scale, TSC taps the export market.

Marketing of steel pipes produced by ZZS is outsourced with a marketing company based in Fujian Province. Aside from its sales offices in Xiamen, representative offices have likewise been set up in the cities of Fuzhou and Quanzhou. We have set up an in-house sales group to supplement effort of this marketing company, and to focus on the export market under the direct supervision of the Assistant General Manager. To provide sufficient reach in the international market, ZZS engages the services of affiliate offices and trading houses in various countries like the Philippines, Indonesia, Singapore, the Middle East and North America.

Competition

TSC

Prior to suspension of its plant operation in 2013 primarily due to shortage in power supply in Mindanao and volatile steel price, TSC has the largest installed capacity for steel billet manufacturing in the Philippines. Other manufacturers produce billets for their own production of downstream steel products.

Top billet producers in the Philippines are

	Annual Installed Capacity (000 MT)
(a) TSC	300
(b) Bacnotan Steel Corp	300
(c) Cathay Pacific Steel Corp	290
(d) Stronghold Steel Corp	150
(e) SKK	120

ZZS

As the first steel producer in the Fujian Province and one of the few major steel pipe producers in Southern China, ZZS has the geographical competitive advantage against producers from Northern China. Our initial marketing thrust in the Chinese domestic market is focused on Fujian Province and the neighboring province of Zhejiang. The target market for ZZS' products can be segmented in terms of product application. Construction and water pipes are primarily intended to supply the needs of the Southern China region, with exports into Southeast Asian countries, such as the Philippines and Singapore. We are even tapping the European market. On the other hand, seamless pipes are geared toward serving the requirements of oil and gas exploration and development activities in different parts of the world.

Raw Materials

Raw materials used to produce billets are scrap sourced from neighboring provinces in Visayas and Mindanao. TSC buys the scrap from major scrap consolidators and their own collection networks. Scrap is old, wasted metal such as parts of vehicles, building supplies, and surplus materials.

Spiral welded pipes are produced from hot rolled steel strip while electric resistance welded pipes are produced from hot rolled steel coils/strips. On the other hand, seamless pipes are produced from billets through a hot draw and extrusion process.

Customer Base

The Corporation and its subsidiaries (TSC and ZZS) are not dependent upon a single or few customers.

Transactions with Related Parties

In the regular course of its business, the Corporation engages in transactions with related parties (stockholders and affiliates). These transactions may involve inter-company trade dealings, and the granting of advances and paying of expenses.

Patents and other Intellectual Property Rights

For marketing and distribution of its corrugated roofing sheets, the Corporation acquired "Philgalume" and "Philgabond" as trademarks from the Bureau of Patents. Whereas the Corporation's subsidiaries have no patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements covering any of its products and the marketing or distribution thereof.

Government Regulations

TKC and its subsidiaries are not currently required to secure government approval for its products and services. Government approvals and permits, both in China and in the Philippines, are currently, and may in the future be, required in connection with the companies' operations.

Costs and effects of Compliance with Environmental Laws

TSC and ZZS are subject to environmental regulations in their respective jurisdictions. These regulations mandate, among other things, the maintenance of air, noise and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of solid and liquid hazardous waste.

As part of its efforts to ensure compliance with environmental regulations, the Corporation rehabilitated and upgraded the dust collection system to meet environmental standards, make it more effective and cope with the anticipated increase in production volume resulting from new facilities.

In line with the future diversification of our product lines and introduction of a new kind of production technology towards the planned shifting from billets production to nickel concentrate and nickel leaching process, the Management is actively and currently coordinating with the Government Environmental Regulators pertaining to the various requirements and compliance on environmental laws and regulations prior to commercial operations of this new production process.

Employees

TKC currently has 10 employees, namely: Chairman, Vice-Chairman, President and Chief Operating Officer, Treasurer, Chief Financial Officer, Head of Corporate Services/Compliance Officer, Head of Accounting Services and three (3) Administrative Staff.

Risk Management

a. Financial Risks

The Corporation is exposed to a variety of financial risks. The Corporation's risk management program focuses on safeguarding shareholder value to manage unpredictability of risks and minimize potential adverse impact on its operating performance and financial condition.

The Corporation's Board of Directors (BOD) is directly responsible for risk management. Management carries out risk management policies approved by the BOD. The Management identifies, evaluates reports and monitors significant risks, and submits appropriate recommendations. The BOD approves formal policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and liquidity risk.

Foreign Currency Risk

Foreign currency risk arises as a result of change in exchange rates between Philippine peso and foreign currencies. Any change will affect our foreign currency denominated accounts and transactions.

The Corporation's foreign currency exposure primarily covers operations in PRC. Any fluctuation in the exchange rate between the Philippine Peso and the RMB, PRC's currency, will impact the amount of our investment and related accounts in our China subsidiary.

The Corporation regularly monitors foreign exchange rates and any trends and changes thereupon. Measures will be adopted to protect our investment in the event there would be significant fluctuations in the exchange rate.

Liquidity Risk

Liquidity risk arises from the possibility that the Corporation may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. Despite the present operational situation of the Group, our related parties, however, have continued to finance the necessary financial support and funding to sustain operations and to meet the Group's maturing obligations.

The Corporation monitors potential sources of the risk to a shortage of funds through monitoring of financial investments and financial assets, and projected cash flows from operations. An essential part of this strategy is the proper matching of trade receivables and trade and other payables. The Corporation's objectives to manage its liquidity are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The Corporation also maintains a financial strategy that the scheduled principal and interest payments are well within the Corporation's ability to generate cash from its business operations.

Capital Management Risk

The Corporation is committed to maintaining adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions and take advantage of business opportunities. The Company Management has submitted to the Philippine Stock Exchange a detailed restructuring plan of activities it will undertake and timetable to bring the stockholders' equity back to positive. In addition, the Group has been negotiating with the prospective investors for additional financing to complete the Group's plant construction, diversification using new production technology, resume commercial operation and generate adequate revenues that will result to a better capital position.

The Corporation regularly keeps track of its capital position and assesses business conditions to ensure early detection and determination of risks, and its consequent adverse impact. The Corporation adopts measures, as may be deemed necessary and appropriate, to mitigate risks.

We aim to achieve acceptable level of debt-to-equity ratio. This ratio is calculated as total liabilities divided by total equity.

Our long-term strategy is to sustain a healthy debt-to-equity ratio. As at December 31, 2020, this ratio is:

Amount	
Total liabilities	Ps. 4,326,472,843
Total equity	59,551,392
Debt-to-equity ratio	73.65:1

Our main sources of capital include but not limited to:

a. Retained earnings, where available
b. Current earnings
c. Debt
d. Share issues
e. Shareholder advances

The Corporation seeks to generate reasonable rate of return on its capital. Corollary to this, our dividend policy will be dictated by the level of retained earnings and ongoing business earnings.

We will access the capital market when we consider it necessary. As we grow our business, we will retain sufficient flexibility to raise capital to support new business opportunities. We are prudent in our capital management.

b. Operational Risks

Fluctuation of Steel Demand and Prices

The industries in which steel are used, such as the construction industry, and the demand for steel products, are cyclical in nature. As a result, the prices at which our products are sold, both in the local and international markets, move in accordance with the local and global steel dynamics. Furthermore, any volatility in the steel prices may affect the normal timing of orders by customers. The volatility in steel prices could cause the Corporation's results of operation to vary and may have an adverse effect on the Corporation's business, financial position, results of operations and prospects.

Similarly, the volatility in the cost of raw materials, scrap for TSC and hot-rolled coils for ZZS, may also cause fluctuations in the results of operations.

We closely monitor demand and price trends, both local and international markets, align our production and sales volumes to desired inventory levels, and put in place measures to ensure that we can access various sources of raw materials.

Single Production Site

Both TSC and ZZS conduct their respective manufacturing activities in single production sites, both in the Philippines and China, respectively. Closure of the production sites, interruption or prolonged suspension of any substantial part of the operations or any damage to, or destruction of, the facilities arising from unexpected events or catastrophes, or other similar events would prevent the operating subsidiaries from generating revenue. All existing facilities have been duly insured. Any new installations will likewise be covered by appropriate insurance coverage.

Scarcity of Raw Materials

Scrap metal is an essential raw material for the production of TSC's end-products. The supply of this raw material is currently sourced locally and any shortage in supply of scrap metal may adversely affect TSC's operations. Due to the scarcity of the availability of scrap materials and high cost of scrap, the operation of TSC was severely affected.

There is no foreseeable risk of raw materials scarcity for ZZS which utilizes hot-rolled coils from slabs that are widely available in China.

Insurance Risks

Our businesses are subject to a number of risks and hazards generally, including, but not limited to, adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slop failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and avalanches. Such occurrences may result in damage to production, facilities, personal injury or death, environmental damage to properties or properties of third parties, monetary losses, and possible legal liability. Insurance coverage is maintained to protect against certain risks in such amounts as are considered reasonable and appropriate.

ITEM 2 - DESCRIPTION OF PROPERTY

TKC does not own any real or personal property other than its leasehold improvements, office fixtures, furniture and equipment located in its principal office. TSC and ZZS lease the land where their plant facilities are currently situated but they own the machineries and equipment.

Leases

TKC leases its main office located at 2nd Floor W Tower Condominium, 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City. The lease was renewed in September 15, 2019 and covers a period of three (3) years which will expire on September 14, 2022.

TSC, as an assignee of Mr. Ben Tiu, leases its billet making plant, including all the equipment and machineries, in Iligan City from Global Ispat Holdings Ltd and Global Steelworks International, Inc.

The memorandum of agreement (MOA) is for 25 years starting 2006. At the expiration or earlier termination of the term of the MOA, TSC has the option to purchase the billet plant at an amount equivalent to its market value at the time the option is exercised. The market value shall be determined by three (3) recognized and competent appraisers to be nominated by the parties. However, this does not preclude the parties from arriving at an agreement and determining between themselves said purchase price.

In the performance of its obligations under the MOA, TSC paid the outstanding liens incurred by the former owners and inherited by the lessor pertaining to the billet making plant amounting to P46 million in 2006.

ZZS entered into a contractual agreement with China Merchants ZhangZhou Development Zone Co., Ltd (China Merchants), wherein the lessor transferred the right to use the land located in 1 M2-05 Zone I, China Merchants Development Zone to ZZS for a period of 50 years. This is where the existing steel plant facilities of ZZS are located.

Under the agreement between ZZS and China Merchants, the land has a total area of about 53.3 hectares divided into Phases I, II and III.

During the first semester of 2010, China Merchants, as mandated by the Fujian Provincial Government made revisions in the original contract as follows: 1) the term of the lease for Phase 1 was reduced to forty-two (42) years from fifty (50) years. ZZS received a refund of ₱9.3 million (RMB 1.4 million) during the first quarter of 2010 to reflect the shorter lease term; 2) a portion of the land for Phase 2 (55,089.567 square meters out of the original 179,374.822 square meters.) will no longer be delivered; and 3) due to China Merchants' inability to reclaim the land, Phase 3 land will no longer be delivered to ZZS. As a consequence of the non-delivery of a portion of Phase 2 land and the entire area of Phase 3, the cost of leasehold rights was reduced by ₱114.0

million and the long-term debt was reduced to nil in 2010. ZZS has fully paid for both Phase 1 and 2 of the land as of the end of 2011.

ITEM 3- LEGAL PROCEEDINGS

The Corporation is not a party to any pending material litigation, arbitration or other legal proceedings, and no litigation or claim of material importance is known by Management to have been filed against the Company.

ITEM 4- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The were no subject matters submitted for the approval of the stockholders as there was no Annual Meeting of the Stockholders held in 2020.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 - Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The common shares of TKC have been listed on the Philippine Stock Exchange since July 19, 2001. Following the amendment of the articles of incorporation whereby the (a) primary purpose was changed to that of a holding company, (b) corporate name was changed from SQL*Wizard to TKC Steel Corporation, (c) authorized capital stock was increased from P40 million (par value of P1.00 per share) to P 1 billion with the same par value, and the assignment and/or sale of all and/or substantially all of the Company's existing IT business assets in favor of a new corporation, TKC undertook a Follow On Offering (FOO) of 235,000,000 common shares on November 23, 2007 based on the offer price of Ps. 9.68 per share. After the FOO was completed, the Company's total issued and outstanding common shares stood at 940,000,000 shares. The offer shares represented 25% of TKC's issued and outstanding common shares.

Presented in the table below are the high and low prices of TKC shares.

	High	**Low**
1st Quarter, 2021	1.17	1.14
Year Ended December 31, 2020		
1st Quarter	0.72	0.70
2nd Quarter	0.74	0.72
3rd Quarter	0.74	0.70
4th Quarter	0.98	0.92
Year Ended December 31, 2019		
1st Quarter	1.03	1.00
2nd Quarter	1.25	1.19
3rd Quarter	1.11	1.05
4th Quarter	1.02	0.99

Holders of Common Equity

As of December 31, 2020, the Corporation has a total of 940,000,000 issued and outstanding shares, owned by 41 common shareholders.

The top twenty (20) shareholders, and their corresponding shares and percentage ownership of TKC are as follows:

Name of Stockholders	No. of Shares	% to Total Outstanding
1. Star Equities, Inc.	667,000,598	70.9575%
2. PCD Nominee Corp (Filipino)	268,330,021	28.5457
3. Chuahiong, Gertim G.	2,912,000	0.3098
4. Sio, Elsie Chua	900,000	0.0957
5. Napoles, Janet L.	300,000	0.0319
6. Uy, Maria CharitoB.	125,000	0.0133
7. Hernandez, Elmer C.	100,000	0.0106
8. Ko, Michael Anthony Lee	100,000	0.0106
9. Enrile, William T.	50,000	0.0053
10. Uy, Alexis Valine B.	25,000	0.0027
11. Uy, Angelica B.	25,000	0.0027
12. Uy, John Rainer B.	25,000	0.0027
13. De Villa, Henrietta	20,000	0.0021
14. Chua Co Kiong, William N.	15,000	0.0016
15. Resurrecion, Antonio	10,000	0.0011
16. Insua, Jose Cezar	10,000	0.0011
17. Puno, Orpha C.	10,000	0.0011
18. Estrada, Claudia Patricia D.	6,250	0.0007
19. Evangelista, Maria Imelda C.	6,250	0.0007
20. Garcia, Luningning D.	6,250	0.0007

Based on the records of our Stock Transfer Agent, Professional Stock Transfer, Inc., TKC Metals Corporation has 29.0425% public ownership level as of March 31, 2021.

Dividends

The Corporation did not declare dividends in 2020 and 2019.

There are no known restrictions or impediments to the Corporation’s ability to pay dividends on common equity, whether current or future.

Recent Issuance of Securities Constituting an Exempt Transaction

For the year ended December 31, 2020, we have not issued any securities constituting an exempt transaction.

ITEM 6 - Management Discussion and Analysis of Financial Condition and Results of Operations (Last Three Years: 2020, 2019 and 2018)

a. Corporate Restructuring

The Corporation completed a corporate restructuring which consisted of the following:

1. On April 13, 2007 and June 7, 2007, the primary business purpose was changed from providing complete information solutions to operating and holding investments in steel companies;
2. On April 13, 2007, the SEC approved the increase in authorized capital stock from P40 million to P1 billion;
3. Capital Stock was increased from P25 million to P705 million;
4. On April 30, 2007, it acquired 90% equity interest in ZZ Stronghold, a company located in China;
5. On June 29, 2007, it acquired 96% equity interest in Treasure, a corporation located in the Philippines.

In addition to Steps 1 to 5, above, the SEC approved the change in the corporate name from SQL*Wizards, Inc. to TKC Steel Corporation. The Corporation was originally registered as SQL*Wizards, Inc with the primary purpose of providing complete information solutions.

On the 26th of October 2015 the SEC approves the change in the Articles of Incorporation in amending the corporate name from TKC Steel Corporation to TKC Metals Corporation.

As disclosed in Note 1 to the consolidated financial statements, SEI (the immediate parent corporation) has intended TKC to be a backdoor listing vehicle for its investment in the steel business. Consistent with the provisions of Philippine Financial Reporting Standard (PFRS) 3, the acquisition of TKC was accounted for as a reverse acquisition as the arrangement was for the parent corporation to be “acquired” by a smaller public entity as a means of obtaining a stock exchange listing. Legally, TKC, as the issuing public is regarded as the parent corporation. From an accounting perspective, SEI is considered the “acquirer” since they have the power to govern the financial and operating policies of TKC and its subsidiaries, Treasure Steelworks and ZZ Stronghold (ZZS).

The acquisition or transfers of Billions (together with ZZ Stronghold) and Treasure Steelworks (TSC) were considered business reorganization of companies under common control. Accordingly, the acquisitions or transfers were accounted for in a manner similar to the pooling-of-interests method.

b. Financial Highlights

- Results of Operations

Accounts In Million Pesos)	2020	2019	2018	Increase (Decrease) 2020/2019 (%)	Increase (Decrease) 2019/2018 (%)
Revenue	512	567	736	(10 %)	-22.96%
Cost of Sales	494	540	687	(9 %)	-21.40%
Gross Income (Loss)	18	26	49	(31 %)	-46.94%
Operating Expenses	139	177	194	(21%)	(9%)%
Net Income	(170)	(210)	(143)	(19 %)	45% %

Operating performance posted a net loss for the current year due to the suspended and minimal operation of our two main subsidiaries respective, the adverse market conditions and the Corporation's focus on its plant modernization, diversification and expansion program. The Corporation posted net losses of Ps. 170 million, Ps. 210 million and Ps. 143 million in 2020, 2019 and 2018, respectively, primarily due to lower production and sales volume coupled with lower demand and price in the market.

The demand of the steel products is improving, however due to over-supply of steel in the market, very volatile price of steel and highly competitive market conditions, the total sales went down by 10% to Ps.512 million in 2020 compared to Ps. 567 million and Ps.736 million in 2019 and 2018 respectively. The decrease in revenue was primarily due to ZZS lower production volume although 2020 performance of 17.7MT is 6% higher than 16.7MT in 2019. Sales volume performance of ZZS in 2020 and 2019 almost remains constant at 17.3MT and 17.4MT respectively. ZZS average selling prices of steel for 2020 of Rmb 4,105 per ton is lower by 5% than last year of Rmb 4,333 per ton. China's steel supply has exceeded the demand resulting to decline in production and sales volume and also due to prolong adverse economic effect of Covid-19 Pandemic.

Due to slower production, sales and marketing activity of the Group, total operating expenses went down by 21% or Ps. 38 million from Ps. 177 million in 2019 to Ps. 139 million in 2020. Although there were increases in the other operating account, significant decreases were noted in the following accounts as follows: freight and handling by 64%; rent by 83%; taxes and licenses 22%; representation by 80%; transportation and travel by 20%; and advertisement by 100%.

- Financial Condition

Accounts (In Million Pesos)	2020	2019	2018	Increase (Decrease) 2020/2019 (%)	Increase (Decrease) 2019/2018 (%)
Current Assets	678	639	981	6 %	(12%)
Total Assets	4,386	4,361	4,588	1 %	(5%)
Current Liabilities	4,201	4,100	4,161	2 %	(1%)
Total Liabilities	4,326	4,138	4,185	5 %	(1%)
Equity	59	222	402	(73 %)	(45 %)

Our total asset base remains stable with a 1% increased to Ps. 4,386 million from the previous year's level of Ps. 4,361 million. Cash and cash equivalents went up by 306% or Ps. 65 million; trade and other receivables increase by 16% or Ps. 19 million and due from related parties went up by 10% or Ps. 4 million.

Current ratio for the years 2020 and 2019 remains stable at 0.2:1 and 0.2:1 respectively while debt-to-equity ratio for 2020 increases to 72.65:1 from 18.56:1 in 2019.

c. 2020 versus 2019

- Results of Operations

The Corporation registered a consolidated net loss of Ps. 170 million in 2020 compared to a net loss of Ps. 210 million a year ago. The bottom-line results showed a negative performance due to slower sales and marketing activity in ZZS operation. Although TSC is non-operating for the last seven years, the prospect of looking for the right investors is still active as there were several groups who have visited the plant. The company is shifting to production of nickel concentrate and nickel pig iron that will only requires 25% of the original power supply requirement. TSC is currently in discussion with a third party to provide the new technology for nickel leaching. This chemical process will take only two hours to extract nickel from laterite ores and will result to a nickel recovery rate of 20-50%.

ZZS operation has resulted in gross profit however the overall market condition is still unfavorable coupled with a very volatile steel prices in China due to higher steel supply and the long-term effect of the Covid-19 Pandemic. ZZS partnered with a third party and resumed the construction and of its plant facilities for the added business lines on fabrication, coating and galvanizing which is estimated to be completed this year pending all documentations before it would be allowed to be operational in 2022. ZZS is currently in talks for partnership with interested parties to developed its idle land to build our port or berth to service the housing requirements of heavy industry structures. The said plans and projects will have a significant impact to our China operation.

Revenue went down by 10% to Ps. 512 million compared to a year ago of Ps. 567 million with ZZS contributing 100% of the Group sales. The Corporation however registered a 4% gross profit of Ps. 18 million in 2020 however the result was 31% lower compared to a gross profit of Ps. 26 million in 2019. ZZS's performance on general production, sales and marketing activity still depended on a lower market price and demand due to over-supply of steel products in the China market.

Operating expenses went down to Ps. 139 million or 21% lower from the 2019 level of Ps. 177 million. The major factor for the lower operating expenses were in the following accounts: a) freight and handling down by 64%; rent by 83%; taxes and licenses down by 22%; representation down by 25% and transportation and travel down by 20% and advertising down by 100%.

- Financial Condition

Total assets base remains stable with an increase of 1% to Ps. 4,386 million in 2020 from last year's figure of Ps. 4,361 million. The Ps. 21 million increase was primarily due to the following: cash and cash equivalents went up by 306% from Ps. 21 million last year to Ps. 86 million; trade and other receivables by about Ps. 19 million or 16% from Ps. 117 million last year to Ps. 136 million; due to related parties by 10% from Ps. 40 million last year to Ps. 44 million; and property, plant and equipment by 0.3% or Ps. 9 million from Ps. 3,277 million last year to Ps. 3,269 million. The current financial conditions of the Group were attributable significantly due to ZZS minimal but stable operating activity and TSC's nil production, sales and marketing activity primarily due to prolonged power crisis and not so competitive market price and conditions. Current assets accounted for 21% and 20% of the balance sheet for the year 2020 and 2019 respectively.

In 2020, total liabilities went up by 5% or Ps. 188 million from Ps. 4,138 million to Ps. 4,326 million. Significant increases were noted in the following accounts: accrued expenses up by 13% or Ps. 14 million from Ps. 103 million to Ps. 116 million; salaries payable up by 12% or Ps. 2 million from Ps.19 million to Ps. 21 million; loans payable up by 8% or Ps. 65 million from Ps. 825 million to Ps. 890 million.

Our resulting capital base is still in a positive position at Ps. 59 million as of 2020 from a positive equity of Ps. 222 million in 2019. The continued decrease in our equity performance was primarily due to the minimal production and sales activity of our subsidiary resulting to a current loss of the Group in the amount of Ps. 163 million. As a result of the depreciation in our capital base, debt to equity ratio increased to 72.65.11:1 from a year ago of 18.56:1.

- Causes for any Material Changes in the Balance Sheet Accounts:

• Cash and cash equivalents increased significantly by 309% or Ps. 65 million to Ps. 86 million from Ps. 21 million a year ago brought about by a significant increase on loans payable by 8% or Ps. 65 million from Ps. 825 million a year ago to Ps. 890 million.

• Trade and other receivable went up by Ps. 19 million or 16% from Ps. 117 million to Ps. 136 million due to slowdown in economy and the adverse effect of the Pandemic to both domestic and foreign accounts.

• Inventories went down by Ps. 46 million or 13% from Ps. 365 million to Ps. 319 million as ZZS is still not operating at full capacity.

• Creditable withholding and value-added taxes remain constant at Ps. 291 million to Ps. 290 million respectively for the years 2020 and 2019 primarily due to minimal business activities.

• Property, plant and equipment remains constant and stable even with a slight decrease of 0.3% or Ps. 8.8 million from Ps. 3.277 billion in 2019 to Ps. 3.269 billion in 2020 level as there was no provision for impairment loss for the current year.

• Other non-current assets remain constant at Ps. 19 million respectively for the year 2020 and 2019

• Trade and other payables went down by 3% or Ps. 33 million or Ps. 33 million from Ps. 1,012 million to Ps. 979 million in 2019 notably in trade payables by Ps. 48 million by 6% from Ps. 877 million to Ps. 829 million.

• Loan payable went up by Ps. 65 million or 8% from Ps. 825 million to Ps. 890 million due to additional bank loans and the short-term renewal of credit facilities of ZZS for their production and selling activities.

• Equity depreciated significantly by Ps. 163 million but remains in a positive position at Ps. 59 million from a positive Ps. 222 million a year ago. The depreciation was brought about by the decrease in the consolidated revenue of the Group which resulted in net operating loss.

d. 2019 versus 2018
- Results of Operations

The Corporation registered a consolidated net loss of Ps. 210 million in 2019 compared to a net loss of Ps. 143 million a year ago. The bottom line results showed a negative performance due to slower sales and marketing activity in ZZS operation. Although TSC is non-operating for the last five years, the prospect of looking for the right investors is still active as there were several groups who have visited the plant. The company is shifting to production of nickel concentrate and nickel pig iron that will only requires 25% of the original power supply requirement. TSC is currently in discussion with a third party to provide the new technology for nickel leaching. This chemical process will take only two hours to extract nickel from laterite ores and will result to a nickel recovery rate of 20-50%.

ZZS operation has resulted in gross profit however the overall market conditions is still unfavourable coupled with a lower steel prices in China due to higher steel supply but lower demand. ZZS has initial discussion with a prospective investor who is in the business of tire recycling in China. This projected investment will be installed in ZZS Plant and will have a positive impact to our China operation.

Revenue went down by 23% to Ps. 567 million compared to a year ago of Ps. 736 million with ZZS contributing 100% of the Group sales. The Corporation however registered a 4%gross profit of Ps. 23 million in 2019 however the result was 52% lower compared to a gross profit of Ps. 48 million in 2018. ZZS's performance on general production, sales and marketing activity still depended on a lower market price and demand due to over-supply of steel products in the China market.

Operating expenses went down to Ps. 177 million or 9% lower from the 2018 level of Ps. 194 million. The major factor for the lower operating expenses were in the following accounts: a) salaries and wages by 17%; freight and handling by 48%; utility expense by 58%; taxes and licenses by 26%; repairs and maintenance 71%; and outside services by 33%.

- Financial Condition

Total assets is still stable as it went down by a merely 5% to Ps. 4,361 million in 2019 from last year's figure of Ps. 4,588 million. The decrease was primarily due to the following: cash and cash equivalents went down by 67% from Ps. 65 million last year to Ps. 21 million; liquidation of trade receivables by about Ps. 41 million or 26% from Ps. 158 million last year to Ps. 117 million; liquidation of advances to supplier by 76% from Ps. 58 million last year to Ps. 14 million; and property, plant and equipment by 3% or Ps. 87 million from Ps. 3,365 million last year to Ps. 3,277 million. The current financial conditions of the Group were attributable significantly due to ZZS minimal but stable operating activity and TSC's nil production, sales and marketing activity primarily due to prolonged power crisis and not so competitive market price and conditions. Current assets accounted for 20% and 21% of the balance sheet for the year 2019 and 2018 respectively.

In 2019, total liabilities went down by 1% or Ps. 48 million from Ps. 4,185 million to Ps. 4,138 million. Significant decreases were noted in the following accounts: trade and other payables by 3% or Ps. 31 million from Ps. 1,043 million to Ps. 1,012 million; and loans payable by 20% or Ps. 206 million from Ps. 1,031 million to Ps. 825 million.

Our resulting capital base is still in a positive position at Ps. 222 million as of 2019 from a positive equity of Ps. 402 million in 2018. The continued decrease in our equity performance was primarily due to the minimal production and sales activity of our subsidiary resulting to a current loss of the Group in the amount of Ps. 210 million. As a result of the depreciation in our capital base, debt to equity ratio increased to 18.56.11:1 from a year ago of 10.42:1.

- Causes for any Material Changes in the Balance Sheet Accounts:

• Cash and cash equivalents decreased significantly by 67% or Ps. 43 million to Ps. 21 million from Ps. 65 million a year ago brought about by a significant liquidation in the trade accounts and other payables amounting to Ps. 51 million.

• Trade and other receivable went down by Ps. 41 million or 26% from Ps. 158 million to Ps. 117 million due to enhanced collection activity both domestic and foreign accounts.

• Inventories slightly went up by Ps. 8.5 million or 2% from Ps. 357 million to Ps. 365 million as ZZS is still operating at less capacity.

• Creditable withholding and value-added taxes remain constant at Ps. 290 million to Ps. 289 million respectively for the years 2019 and 2018 primarily due to minimal business activities.

• Property, plant and equipment remains constant and stable with a slight decrease from Ps. 3.4 billion in 2018 to Ps. 3.3 billion in 2019 level as there was no provision for impairment loss for the current year.

• Other non-current assets remain constant at Ps. 19 million respectively for the year 2019 and 2018

• Trade and other payables went down by 3% or Ps. 31 million from Ps. 1,044 million to Ps. 1,012 million in 2019 notably in trade payables by Ps. 51 million.

• Loan payable went down significantly by Ps. 206 million or 20% from Ps. 1,031 million to Ps. 825 million with the liquidation of local bank loans amounting to Ps. 160 million and the short-term renewal of credit facilities of ZZS for their production and selling activities.

• Equity depreciated significantly by Ps. 179 million but remains in a positive position at Ps. 222 million from a positive Ps. 402 million a year ago. The depreciation was brought about by the decrease in the consolidated revenue of the Group which resulted in net operating loss .

e. 2018 versus 2017

- Results of Operations

The Corporation registered a consolidated net loss of Ps. 143 million in 2018 compared to a net loss of Ps. 860 million a year ago. The bottom-line performance improves significantly due to improved sales activity and results in ZZS operation. Although TSC is non-operating for the last five years, the prospect of looking for the right investors is still active as there were several groups who have visited the plant. The company is shifting to production of nickel concentrate and nickel pig iron that requires 25% of the original power supply requirement. TSC is currently in discussion with a third party to provide the new technology for nickel leaching. This chemical process will take only two hours to extract nickel from laterite ores and will result to a nickel recovery rate of 20-50%.

ZZS operation has resulted in gross profit however the overall market conditions is still unfavourable coupled with a lower steel prices in China due to higher steel supply but lower demand. ZZS has initial discussion with a prospective investor who is in the business of tire recycling in China. This projected investment will be installed in ZZS Plant and will have a positive impact to our China operation.

Revenue increased by 102% to Ps. 736 million compared to a year ago of Ps. 363 million with ZZS contributing 100% of the Group sales. The Corporation however registered a 123% increase in gross profit of Ps. 49 million in 2018 compared to a gross loss of Ps. 22 million in 2017. Although ZZS performance slightly recovered in the last quarter, the general production and marketing activity still depended on a lower market price and demand due to over-supply of steel products in the China market and coupled with the nil operation of TSC, our group losses was reduced by 83% from a negative Ps.860 million to Ps.143 million.

Operating expenses went down to Ps.191 million or 79% lower from the 2017 level of Ps. 889 million. The major factor for the lower operating expenses were in the following accounts: a) nil provision for impairment loss; taxes and licenses by 40%; transportation and travel by 40%; and professional fees by 77%.

- Financial Condition

Total asset is still stable as it went down by a merely 2% to Ps. 4,588 million in 2018 from last year’s figure of Ps. 4,688 million. The decrease was primarily due to the liquidation of trade receivables by about Ps.107 million or 40% from Ps. 266 million last year to Ps. 158 million. There were some minimal increases and decreases in the other asset accounts, current provision for impairment loss on property, plant and equipment for Ps. 683 million; inventories by 5% to Ps. 360 million from Ps.380 million; other current assets and prepayments by 15% from Ps. 30 million to Ps. 25 million. The current financial conditions of the Group were attributable significantly due to ZZS minimal but stable operating activity and TSC's nil production, sales and marketing activity primarily due to prolonged power crisis and not so competitive market price and conditions. Current assets accounted for 21% and 22% respectively for 2018 and 2017.

In 2018, total liabilities went down by 25% or Ps. 1,401 million from Ps. 5,586 million to Ps. 4,185 million. There were significant decreases in accrued payable by 22% or Ps. 25 million from Ps. 114 million to Ps. 90 million; withholding tax payable by 16% or Ps. 0.7 million from Ps. 4.0 million to Ps. 3.4 million; loans payable decreased by 2% or Ps. 17 million from Ps. 1,048 million to Ps. 1,031 million; and due to related parties by 41% or Ps.1,473 million from Ps. 3,560 million to Ps. 2,087 million.
Our resulting capital base has recovered significantly to a positive Ps. 402 million as of 2018 from a negative equity of Ps. 898 million in 2017. With the 102% increase in revenue generated by ZZS, the deposit for future subscriptions of Ps. 1,500 million and coupled with lower operating expenses, the deficit was totally erased. As a result of the appreciation in our capital base, debt to equity ratio improves also to 10.41:1 from a year ago of -6.1:1.

- Causes for any Material Changes in the Balance Sheet Accounts:

• Cash and cash equivalents increased significantly by 89% to Ps. 65 million from Ps. 34 million a year ago brought about by a significant liquidation in the trade accounts.

• Trade and other receivable went down by Ps. 107 million or 40% from Ps. 265 million to Ps. 158 million due to enhanced collection activity both domestic and abroad.

• Inventories slightly went down by Ps. 3.5 million or 1% from Ps. 361 million to Ps. 357 as ZZS is still operating at less capacity

• Creditable withholding and value-added taxes slightly went down by 2% or Ps. 5 million from Ps. 294 million to Ps. 289 million respectively for the years 2017 and 2018 primarily due to minimal business activities.

• Property, plant and equipment remains constant and stable at Ps. 3.4 billion level as there was no provision for impairment loss for the current year.

• Other non-current assets remain constant at Ps. 19 million respectively for the year 2018 and 2017

• Trade and other payables went up by 13% or Ps. 110 million from Ps. 818 million to Ps. 928 million notably in trade payables by Ps. 50 million; deposit received by Ps. 41 million and tax payables by Ps. 21 million.

• Loan payable went down by Ps. 17 million or 2% from Ps. 1,048 million to Ps. 1,031 million as a result of short-term renewal of credit facilities of ZZS for their production and selling activities.

• Equity appreciated significantly to a positive Ps. 402 million from a negative Ps. 898 million a year ago. This appreciation was brought about by the increase in the consolidated revenue, coupled with lower operating expenses and the deposits for future subscriptions.

f. Key Performance Indicators

Performance Ratios	2020	2019	2018
Revenue Growth (%)	**-10%**	**-23%**	**102%**
Gross Profit Margin (%)	**4%**	**5 %**	**6%**
Basic Loss per share 1/	**(Ps. 0.17)**	**(Ps. 0.21)**	**(Ps. 0.15)**
Current Ratio 2/	**0.2**	**0.2**	**0.2**
Debt-to-Equity Ratio 3/	**72.65**	**18.56**	**(10.42)**
Return on Equity 4/	**-1.24**	**-0.67**	**0.58**

1/ Net income applicable to majority shareholders/weighted average of outstanding common shares
2/ Total current assets/total current liabilities
3/ Total liabilities/equity
4/ Net income /total equity (average)

g. Other Matters

There were no known trends, demands or uncertainties that will have a material impact on the Corporation's liquidity. The Corporation does not anticipate any cash flow or liquidity problems within the next twelve (12) months and is not at default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. No significant amounts of trade payables have been unpaid within the stated trade terms.

There are no known trends, or events, uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations nor any events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

- There are no material off-balance sheet transactions, arrangements obligations (including contingent obligations), and other relationship of the Corporation with unconsolidated entities or other persons created during the reporting period.

- There were no seasonal aspects that had a material impact on the financial condition or results of operations of the Corporation.

- Any material commitments for capital expenditure:

  The Corporation conducted a Follow-On Offering on November 23, 2007 that raised gross proceeds of Ps. 2, 275 million to finance expansion and development plans of its two (2) subsidiaries, TSC and ZZS. These projects are on-going both in our China and Iligan plants.

- There were no significant elements of income or loss that did not arise from the registrant's continuing operations except as presented in the Management Discussion and Analysis.

ITEM 7 – Financial Statements

Please refer to the attached audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2020 which have been prepared in accordance with Philippine Financial Reporting Standards, as audited by Reyes Tacandong & Co.

ITEM 8 - Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

Reyes Tacandong & Co. was appointed as external auditor for the years ended December 31, 2020, 2019 and 2018 to comply with the rotation of external auditors every 5 years. For the years ended December 31, 2010 and prior years, the external audit of the annual financial statements was performed by SGV & Co.

There were no disagreements with the external auditors on any matter pertaining to accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 - Directors and Executive Officers

The Corporation's Board of Directors is responsible for the overall management of the business and assets of the Corporation. The Board of Directors is composed of eleven (11) members, each of whom serves for a term of one (1) year until his/her successor is duly elected and qualified**.**

Board of Directors

The following incumbent members of the Board of Directors of the Corporation were elected during the Annual Stockholders Meeting held on 25th of October 2018. There was no Annual Stockholder's Meeting held for the year 2020.

Ben C. Tiu, Filipino, 68, is the **Chairman** of the Corporation. Mr. Tiu is also the President of JTKC Equities, Inc., and Union Pacific Ace Industries, Inc. Mr. Tiu is the Chairman of The Discovery Leisure Co., the owner of Discovery Suites Hotel, The Country Suites at Tagaytay and Discovery Shores Boracay. He served as Chairman and CEO of iRemit, Inc. from 2001 until 2004 and as Director from May 2006 to present. He is also Executive Vice President of Hotel System Asia, Inc., JTKC Realties Corporation and Executive Vice President and Treasurer of Aldex Realty Corporation, Inc., Treasurer of TERA Investments, Inc. Mr. Tiu is also a Corporate Nominee in the Philippine Stock Exchange of Fidelity Securities, Inc. and formerly the Chairman of the Board of Sterling Bank of Asia, Inc., and Vice Chairman of the Board and Chairman of the Executive Committee of International Exchange Bank. He holds a Masters in Business Administration from the Ateneo de Manila University and a degree in Mechanical Engineering from Loyola Marymount University, USA.

Domingo S. Benitez Jr., Filipino, 65, is a Director and the **President** of the Corporation. His main expertise and line of business is in solution system provider in the Mechanical works involving Water, Waste water, Oil & Gas and Hydro Power Industry. He did also a couple of major projects in Brunei such as EPC Company for the upgrading of fire fighting for the Brunei Shell Marketing Depot Terminal, Water, Sewerage and Treatment Plant. He was previously the Business Development Manager-Asia Pacific of Emech Control Ltd.-New Zealand from April 206 to October 2008. He was also the Project Manager-Process of Tyco Flow Control Pacific Pty Ltd.,- New Zealand from November 2005 to February 2006. He also works as the Business Development Manager & Project Manager of Beaver Company-Brunei from January 1992 to August 2005. Mr. Benitez earned his Bachelor of Science Degree in Mechanical Engineering from Far Eastern University in 1979.

Ignatius F. Yenko, Filipino, 69, is a Director and **Vice-Chairman** of the Corporation. He is likewise a Director of Sterling Bank of Asia and member of the Executive Committee, Audit Committee, Risk Committee, Nomination and Compensation Committee and Loan Committee of the bank. He was Management Consultant for Cyan Management Corporation from July 2003 to December 2008. He was previously First Vice-President of Philippine Long Distance Telephone Company until his resignation in July 2003. Mr. Yenko was formerly a Vice President at The Chase Manhattan Bank, N.A. where he worked for almost 11 years. He graduated with honors from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He holds a Master in Business Management degree from the Asian Institute of Management and was a recipient of the Claude M. Wilson National Scholarship Grant.

A. Bayani K. Tan, Filipino, 65, is a **Director** of the Corporation. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), First Abacus Financial Holdings Corporation (May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc. since December 2006. He is also a Director, Corporate Secretary, or both for the following private companies: Destiny LendFund, Inc. (December 2005-present), Discovery World, Inc. (March 2013 as Director, July 2003 –present as Corporate Secretary), Monte Oro Resources & Energy, Inc. (March 2005-present) Palm Concepcion Power Corporation (January 2013-present), and Pharex HealthCorp. (March 2012-present), among others. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present) and Managing Trustee of SCTan Foundation, Inc. (1986-present). He is currently the legal counsel of Xavier School, Inc.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Antonio Jacob Elizaga, Filipino, 54, is the **Treasurer and Director** of the Corporation.

Alexander Y. Tiu, Filipino, 45, is a **Director** of the Corporation. He is President of Goodyear Steel Pipe Corporation and Executive Vice-President of British Wire Industries Corporation and Goodway Marketing Corporation. Mr. Tiu earned his Bachelor's Degree in Economics from Simon Fraser University in 1999.

Enrico G. Valdez, Filipino, 60, is a **Director** of the Corporation. He is likewise a Director of Manta Ray Holdings, Inc., Lion City Landholdings, Inc. and Harbor Holdings Company, Inc. and Corporate Secretary of TBWA Santiago Mangada Puno Advertising, Inc. and Jan De Nul (Phils.), Inc. He is a Partner of Tan Venturanza Valdez and Treasurer of T & V Realty Holdings Inc. He took up his Bachelor of Science Degree in Business Administration from the Philippine School of Business Administration and his Bachelor of Laws Degree from the Ateneo de Manila University. He also has a Master Degree in Business Administration from the University of the Philippines. He is a member of the Integrated Bar of the Philippines and Philippine Institute of Certified Public Accountants. He served as former Director of the Tax Management Association of the Philippines and former Vice Chairman of the Taxation Committee of the Inter-Pacific Bar Association.

Vicente V. de Villa, Jr., a Filipino, 87, is an **Independent Director** of the Corporation. He currently holds the position of Chairman and President of VICON Realty Corporation (1972-present), Director of Heavenly Angel Memorial Park (2006-present), EL Message Services (2006-present) and ELAD Telecom Phils., Inc. (2006-present). He is also the Executive Director of EL Enterprises, Incorporated, EL International Holdings (BVI) Limited (1989-present). Likewise, he is a Foreign Representative of JDP International (USA), Central International Corporation (KOREA), NW Technologies International, Inc. (USA) and BSI Corporate Services (ITALY). He holds a Bachelor of Laws Degree from Ateneo de Manila, Padre Faura.

Prudencio C. Somera, Jr., Filipino, 76, is a **Director** of the Corporation. He is an Independent Director of Basic Petroleum Corporation (1997-present), another publicly-listed corporation, and Director of Philcomsat Holdings Corporation (2004-present). He is a member Board of Advisers of Basic Energy Corporation since August 2008 (board member, 1977 – 2008). He was previously Director of iVantage, Inc. (1998-2000) and Acoje Oil Exploration and Minerals Corporation (1997-1999). A columnist of Philippine Daily

Inquirer, he holds a Master of Business Administration Degree from the University of the Philippines.

Victor C. Fernandez, Filipino, 77, is an **Independent Director** of the Corporation. He holds a Bachelor of Laws degree from the University of the Philippines (Class of 1971) where he was a member of the Order of the Purple feather (U.P. College of Law Honor Society) and ranked tenth in his class. He has a Bachelor of Arts major in Economics degree from the University of the Philippines (Class of 1967).

Atty. Fernandez served as Deputy Ombudsman for Luzon from 2003 to 2010. He also practiced law as Partner in the Fernandez Pacheco & Dizon Law Offices. He currently serves as Commissioner on the Commission on Bar Discipline of the Integrated Bar of the Philippines and received several awards including the Distinguished Service Award of the Integrated Bar of the Philippines and awarded as the Most Outstanding Commissioner of the Commission on Bar Discipline (1995 to 1997).

Pablito C. Bermundo, Filipino, 78, is an **Independent Director** of the Corporation. He holds a Bachelor of Science degree in Commerce – Accounting and is a Certified Public Accountant. He is currently a Director/Consultant in Symrise, Inc., a company where he was once the Chief Executive Officer. Symrise, Inc. is engaged in the manufacture and marketing of flavors and fragrances. He is also currently serving as Executive Director of the Texicon Group of Companies.

Mr. Bermundo served as Chairman and Director of Sicaf Scientific, Inc., and held managerial positions in 3M Philippines (as Finance Director), Evertex Industries, Inc. (as Manager of Treasury and Banking Department). Mr. Bermundo also served as the President of the Rotary Club of San Juan North from 2006 to 2007.

Executive Officers

Domingo S. Benitez Jr. - President and Chief Operating Officer

Antonio Jacob Elizaga – Treasurer

Wilfrido O. Gamboa, Filipino, 66, is the **Head of Corporate Services and Chief Compliance Officer** of the Corporation. Before he joined the Corporation, he was president of Fabricom Realty & Development Corporation. Previous experiences of Mr. Gamboa include fund sourcing, rehabilitation planning and debt portfolio restructuring. He has also experience in the real property sector with tasks including developing new real estate projects. He graduated with a degree of Bachelor of Arts in Economics and Bachelor of Science in Business Administration from De La Salle University.

Efren A. Realeza, Jr, Filipino, 60, is the **Head of Accounting Service**s and **Chief Finance Officer** of the Corporation. Prior to joining the Corporation, he was the Audit Manager of VBP Group of Companies-Derm-pharma and Derm Clinics, Triumph Development Corporation - a cement manufacturing company with overseas operation and Ajinomoto Philippines Corporation. He managed also the financial performance of the following subsidiaries of APC like Flavor Food Products International Inc., Union Hikari Fertilizer International, Inc. and Global Cebu Foods Corporation. He graduated with a degree of Bachelor of Science in Accountancy from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

Edson T. Eufemio, Filipino, 52, is the **Corporate Secretary** of TKC Metals Corporation. He is a lawyer by profession and practices corporate and commercial law through his office, E.T. Eufemio Law Office. He is a legal and business consultant of small, medium and large enterprises in various industries. He is a graduate of Xavier School and U.P. Diliman, where he has obtained degrees in Psychology, Law and Masters in Business Administration. He sits on the board of directors and also acts as Corporate Secretary for many other private companies.

Significant Employees

Although the Corporation has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team, the Corporation is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete upon termination.

Family Relationships

Messrs. Ben C. Tiu and Alexander Y. Tiu, all Directors of the Corporation, are siblings.

Involvement in Certain Legal Proceedings

None of the members of the Corporation's Board of Directors and its Executive Officers are involved in criminal, bankruptcy or insolvency investigation or proceedings against them.

ITEM 10 – Executive Compensation

As discussed under Item 1, Part I, above, we had initiated corporate restructuring that involved the (a) change in primary purpose from being a provider of complete IT solutions to that of a holding company, (b) change in corporate name from SQL*Wizard to TKC Steel, (c) increase in authorized capital, and (d) assignment and/or sale of all and/or substantially all of the IT business assets to a new corporation. After effecting all these changes, new sets of members of Board of Directors and Executive Officers were appointed on various dates in 2007. The executive compensation information that is presented below covered the Executive Officers and Directors of TKC for 2019, 2020 and 2021. All members of the Board of Directors receive per diem per meeting only.

2019

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
Wilfrido O. Gamboa Head of Corporate Services and Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	4,036,500		
Aggregate Compensation of all above- Named Officers and Directors	4,036,500		

2020

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Domingo S. Benitez Jr. President and Chief Operating Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	3,916,500		
Aggregate Compensation of all Above-named Officers and Directors	3,916,500		

2021 (Estimated)

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Domingo S. Benitez Jr. President and Chief Operating Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr. OIC-Chief Finance Officer			
Aggregate Compensation of all Above-named Officers	3,206,500		
Aggregate Compensation of all Above-named Officers and Directors	3,206,500		

ITEM 11 - Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2020, the following stockholders beneficially own more than 5% of the Corporation's Outstanding and Issued Common Shares:

Title of Class	Name/Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Of Holdings
Common	Star Equities, Inc. 2nd Floor, JTKC Center 2155 Pasong Tamo Makati City		Filipino	667,000,598	70.96%
Common	PCD Nominee Corporation		Filipino	268,330,021	28.54%

Security Ownership of Directors and Management

Title of Each Class	**Name of Record/Beneficial Owner**	**Number of Shares and Nature of Record/ Beneficial Ownership**	**Percentage**
Common	Tiu, Alexander Y. Tan, A. Bayani K. De Villa, Vicente V. Benitez, Domingo S. Jr. Somera, Jr., Prudencio C. Tiu, Ben C.	1 1 1 1 1 1	-- -- -- -- -- --
	Elizaga, Antonio Jacob Valdez, Enrico G. Yenko, Ignatius F. Pablito B. Bermundo Victor C. Fernandez	1 1 1 1 1	-- -- -- -- --

Voting **Trust Holders of 5% or more**

There is no person holding more than 5% of any class of the Corporation’s securities under a voting trust or similar agreement.

ITEM 12 – Certain Relationship and Related Transactions

The Corporation entered into the following transactions with related parties:

Date of Execution	Parties	Nature	Cause/Consideration
April 30, 2007	TKC and Star Equities, Inc. (SEI)	Agreement for Assignment of Advances	Acquisition at cost of the entire interest in the advances of SEI in Billions Steel International Limited
June 29, 2007	TKC and Billions	Absolute Deed of Assignment of Shares	Billions assigned all its rights and interests in 479,997 fully paid shares in Treasure Steel (TSC) for a total of consideration of

			Ps. 47,997,000.00
June 29, 2007	TKC and TSC	Marketing Agreement	TSC appointed TKC as the exclusive sales and marketing channel of all its products and gave TKC the right to enter into agreements with third parties to carry out said purpose. Under the Agreement, both parties acknowledge the existing agreement between TSC and Steel Alliance and thus, TKC assumed all the obligations of TSC to Steel Alliance.

PART IV - CORPORATE GOVERNANCE

ITEM 13 – Corporate Governance

The Corporation, through its Compliance Officer, Wilfrido O. Gamboa, has monitored the Corporation's compliance with SEC Memorandum Circular No. 60, Series of 2009, No. 20, Series of 2013 and other relevant SEC Circulars on Corporate Governance and with the Manual of Corporate Governance adopted by the Company. For the year 2020 corporate governance seminar, our Chairman, three Directors and the Corporate Secretary have attended the seminar on Corporate Governance Training Program respectively

PART V - EXHIBITS AND SCHEDULES

ITEM 14 – Exhibits and Reports on SEC Form 17-C

The Corporation has filed the SEC Form 17-C reports during the fiscal year ending December 31, 2020:

Date Filed	**Items Reported**
16 March 2020	Impact of the COVID-19 Pandemic on the Business Operations
01 December 2020	Amendment to the First and Sixth Articles of Articles of Incorporation
01 December 2020	Notice of Annual Stockholder's Meeting on 15 January 2021 Via Video Conference in Accordance with SEC Rules

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersign, thereunto duly authorized, in the City of QUEZON CITY on JUN 15 2021 2021.

By:

Ben C. Tiu Chairman of the Board	Domingo S. Benitez Jr. President and Chief Operating Officer
Efren A. Realeza Jr. Chief Financial Officer	Edson T. Eufemio Corporate Secretary

SUBSRIBED AND SWORN to before me this JUN 15 2021 day of 2021 affiants exhibiting to me his/her Passport, as follows:

NAMES	PASSPORT NO.	VALID UNTIL	PLACE OF ISSUE
Ben C. Tiu	EC3799702	02/13/2028	DFA NCR East
Domingo S. Benitez Jr.	LK518261	10/21/2026	DIA WLG
Efren A. Realeza Jr.	P4832475B	02/16/2030	DFA NCR North
Edson T. Eufemio	P5105605B	03/11/2030	DFA NCR North

Doc. No. 486
Page No. 99
Book No. XVI-A
Series of 2021

ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Not. Com. No. NP-124 1-12-19 until 12-31-2020
Commission Extended until June 30, 2021
as per SC ENBANC B.M No. 3795 12/1/2020
IBP O.R. No. 132134 MD 2021 & IBP O.R. No. 133076 MD 2022
PTR O.R. No. 0695112 D 1/4/21 / Roll No. 33832 / TIN# 129-87[illegible]
MCLE No. VI-0029583 valid from 12/16/19 valid until 04/14/22 Quezon City
Address: 31-F Harvard St. Cubao, Q.C.

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 - 1 0 6 2 0

COMPANY NAME

TKC METALS CORPORATION AND SUBSIDIARIES

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

Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
earealeza@yahoo.com	**8864-0734/ 8840-4335**	**0928-524-7168**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
42	**Last Friday of July**	**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
Mr. Efren A. Realeza Jr.	**earealeza@yahoo.com**	**8864-0734/8840-4335**	**0928-524-7168**

CONTACT PERSON'S ADDRESS

2nd Floor W Tower Condominium 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig

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

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

TKC METALS
Strength in vision

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The Management of TKC Metals Corporation (the Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the separate 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.

Signature: ____________________
BEN C. TIU
Chairman of the Board

Signature: ____________________
DOMINGO S. BENITEZ JR.
President

Signature: ____________________
EFREN A. REALEZA JR.
Chief Financial Officer

Signed this ___ day of _____ 2021

SUBSCRIBED AND SWORN TO BEFORE ME THIS 2 4 MAY 2021, 20_____ IN THE CITY OF MAKATI, AFFIANT EXHIBITING TO ME HIS/HER VALID ID WITH NUMBERS __________ ISSUED ON __________, ISSUED AT __________

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City
MCLE Compliance No. VI-0007878/04-06-2018

DOC. NO. 396;
PAGE NO. 79;
BOOK NO. 167;
SERIES OF 2021

2nd Floor Unit 201, W Tower Condominium,
39th St., Bonifacio Global City
Taguig City, Philippines 1634
Tel No.: (02) 864-0734; 864-0736; 840-4335
Fax No.: (02) 893-3702

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
TKC Metals Corporation
Unit B1-A/C, 2nd Floor
Building B, Karrivin Plaza
2316 Chino Roces Avenue Extension
Makati City

Opinion

We have audited the consolidated financial statements of TKC Metals Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

The Group's main steel manufacturing subsidiaries, Treasure Steelworks Corporation (Treasure) and ZhangZhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold) located in Iligan City and Xiamen, China, respectively, have been incurring continuing losses. The Group has consolidated total comprehensive loss of ₱163.4 million, ₱179.0 million and ₱199.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. Treasure has ceased operations since 2013. Moreover, the two subsidiaries had to suspend their plant construction projects with costs aggregated ₱3,045.2 million and ₱3,024.2 million as at December 31, 2020 and 2019, respectively.

These events or conditions, along with other matters disclosed in Note 1, indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Group's related parties, however, have continued to provide the necessary financial support to sustain operations and to meet the Group's maturing obligations. As at December 31, 2020, due to related parties aggregated ₱2,323.3 million.

The Group has been actively negotiating with prospective investors for potential business ventures, and for financing the diversification and resumption of the Group's operations in Iligan City together with the completion of the Group's plant construction projects. The Group's management plans for Treasure and ZZ Stronghold are disclosed in Note 1.

Accordingly, the Group continues to prepare its accompanying consolidated financial statements using the going concern basis of accounting. Our opinion is not modified with respect to this matter.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined below as key audit matters to communicate in our report.

- *Impairment Assessment of Property, Plant and Equipment*

  As at December 31, 2020, the Group has property, plant and equipment amounting to ₱3,268.9 million, representing 75% of the total assets.

  The Group is required to perform an impairment assessment of its property, plant and equipment at each reporting date whenever there is any indication of impairment. Where the carrying amount exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

  Determining the recoverable amounts of property, plant and equipment using fair value less costs to sell requires significant judgment and estimation, particularly in selecting the appropriate valuation methodology and in determining the underlying assumptions. The determination of the fair value of property, plant and equipment is subject to significant variability because of changing market conditions. Moreover, the impairment assessment is significant to our audit because the carrying amount of the Group's property, plant and equipment is material to the consolidated financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance.

  The fair values of the Group's property, plant and equipment were based on independent valuations prepared by independent property valuers. Our audit procedures included, among others, evaluating the qualifications, experience and competence of the independent property valuers engaged by management, understanding and reviewing the valuation methods and assessing the key assumptions applied in the valuations. We reviewed the adequacy of the Group's disclosures about those assumptions, the outcome of which the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

- *Net Realizable Value of Inventories*

  The Group's inventories, which represents 7% of the Group's total assets, are measured at the lower of cost and net realizable value. As a result of the suspension of the Group's operations in Iligan City, there has been no significant movement of its inventories in stock pile since 2013. The volume of the Group's inventories changes through time and the impact of the market price of the raw materials and finished goods due to changing economic conditions can be material and as such the determination of the net realizable value of inventories requires significant amount of estimation and judgment.

  The management has engaged an independent surveyor to determine the value of the inventories in Iligan City. To validate the management's assessment on the net realizable value of inventories, we evaluated the qualifications, experience and competence of the independent surveyor, understand and reviewed the valuation methods and the assumptions applied and assessed the key assumptions adopted in the valuation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Arthur Vinson U. Ong.

REYES TACANDONG & CO.

Arthur Vinson Ong

ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1752-A
Valid until May 6, 2022
BIR Accreditation No. 08-005144-015-2020
Valid until July 1, 2023
PTR No. 8534286
Issued January 5, 2021, Makati City

June 12, 2021
Makati City, Metro Manila

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱86,194,844**	₱21,247,687
Trade and other receivables	5	**136,064,063**	117,465,328
Due from related parties	13	**43,845,477**	39,976,535
Inventories	6	**319,488,896**	365,782,646
Other current assets	7	**92,431,205**	94,820,109
Total Current Assets		**678,024,485**	639,292,305
Noncurrent Assets			
Property, plant and equipment	8	**3,268,932,870**	3,277,814,514
Leasehold rights	9	**197,062,664**	203,191,145
Input value-added tax (VAT)		**223,024,447**	222,073,082
Other noncurrent assets	10	**18,979,769**	18,979,769
Total Noncurrent Assets		**3,707,999,750**	3,722,058,510
		₱4,386,024,235	₱4,361,350,815
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱978,800,936**	₱1,012,304,527
Current portion of loans payable	12	**890,518,505**	824,992,511
Current portion of lease liability	22	**8,228,202**	7,489,889
Due to related parties	13	**2,323,263,262**	2,255,450,194
Total Current Liabilities		**4,200,810,905**	4,100,237,121
Noncurrent Liabilities			
Loans payable - net of current portion	12	**94,774,572**	–
Lease liability - net of current portion	22	**4,000,957**	12,229,159
Retirement liability	19	**9,896,790**	8,650,017
Deferred tax liabilities	24	**16,989,619**	17,288,648
Total Noncurrent Liabilities		**125,661,938**	38,167,824
Total Liabilities		**4,326,472,843**	4,138,404,945
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	14	**940,000,000**	940,000,000
Deposits for future subscription	14	**1,500,000,000**	1,500,000,000
Additional paid-in capital		**1,983,047,906**	1,983,047,906
Deficit		**(4,630,822,994)**	(4,468,725,321)
Other equity reserves		**248,471,190**	242,461,095
		40,696,102	196,783,680
Non-controlling Interest	14	**18,855,290**	26,162,190
Total Equity		**59,551,392**	222,945,870
		₱4,386,024,235	₱4,361,350,815

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2020**	2019	2018
NET SALES		**₱512,050,821**	₱566,764,589	₱736,032,007
COSTS OF GOODS SOLD	16	**(494,104,242)**	(540,558,280)	(687,390,080)
GROSS INCOME		**17,946,579**	26,206,309	48,641,927
OPERATING EXPENSES	17	**(134,736,868)**	(165,515,708)	(194,558,188)
INTEREST EXPENSE	12	**(55,402,784)**	(68,461,689)	(63,425,257)
PROVISION FOR IMPAIRMENT LOSS	18	**(5,406,234)**	(11,357,780)	–
OTHER INCOME - Net	23	**7,423,192**	10,621,063	66,962,789
LOSS BEFORE INCOME TAX		**(170,176,115)**	(208,507,805)	(142,378,729)
PROVISION FOR (BENEFIT FROM) INCOME TAX	24			
Current		**32,016**	57,981	1,018,105
Deferred		**(182,190)**	1,608,360	865
		(150,174)	1,666,341	1,018,970
NET LOSS		**(170,025,941)**	(210,174,146)	(143,397,699)
OTHER COMPREHENSIVE INCOME (LOSS)				
To be reclassified to profit or loss in subsequent periods -				
Translation adjustment of foreign operations		**6,904,088**	30,159,303	(55,971,834)
Not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gain (loss) on retirement liability, net of deferred tax	19	**(272,625)**	1,053,359	–
		6,631,463	31,212,662	(55,971,834)
TOTAL COMPREHENSIVE LOSS		**(₱163,394,478)**	(₱178,961,484)	(₱199,369,533)
NET LOSS ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱162,097,673)**	(₱201,609,390)	(₱136,607,618)
Non-controlling interest		**(7,928,268)**	(8,564,756)	(6,790,081)
		(₱170,025,941)	(₱210,174,146)	(₱143,397,699)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱156,087,578)**	(₱173,111,065)	(₱187,541,986)
Non-controlling interest		**(7,306,900)**	(5,850,419)	(11,827,547)
		(₱163,394,478)	(₱178,961,484)	(₱199,369,533)
BASIC AND DILUTED LOSS PER SHARE	26	**(₱0.17)**	(₱0.21)	(₱0.15)

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

					Other Equity Reserves (Net of Deferred Tax)					
	Capital Stock (see Note 14)	**Additional Paid-in Capital**	**Deficit**	**Deposits For Future Subscription** (see Note 14)	**Cumulative Remeasurement Gains (Losses) on Retirement Liability** (see Note 19)	**Cumulative Translation Adjustments**	**Adjustments to Equity** (see Note 15)	**Equity Attributable to Equity Holders of the Parent Company**	**Non-controlling Interest**	**Total Equity**
Balance at December 31, 2019	**₱940,000,000**	**₱1,983,047,906**	**(₱4,468,725,321)**	**₱1,500,000,000**	**₱3,352,177**	**₱285,553,307**	**(₱46,444,389)**	**₱196,783,680**	**₱26,162,190**	**₱222,945,870**
Net loss	–	–	**(162,097,673)**	–	–	–	–	**(162,097,673)**	**(7,928,268)**	**(170,025,941)**
Other comprehensive income (loss)	–	–	–	–	**(272,625)**	**6,282,720**	–	**6,010,095**	**621,368**	**6,631,463**
Balance at December 31, 2020	**₱940,000,000**	**₱1,983,047,906**	**(₱4,630,822,994)**	**₱1,500,000,000**	**₱3,079,552**	**₱291,836,027**	**(₱46,444,389)**	**₱40,696,102**	**₱18,855,290**	**₱59,551,392**
Balance at December 31, 2018	₱940,000,000	₱1,983,047,906	(₱4,267,115,931)	₱1,500,000,000	₱2,298,818	₱258,108,341	(₱46,444,389)	₱369,894,745	₱32,012,609	₱401,907,354
Net loss	–	–	(201,609,390)	–	–	–	–	(201,609,390)	(8,564,756)	(210,174,146)
Other comprehensive income	–	–	–	–	1,053,359	27,444,966	–	28,498,325	2,714,337	31,212,662
Balance at December 31, 2019	₱940,000,000	₱1,983,047,906	(₱4,468,725,321)	₱1,500,000,000	₱3,352,177	₱285,553,307	(₱46,444,389)	₱196,783,680	₱26,162,190	₱222,945,870
Balance at December 31, 2017	₱940,000,000	₱1,983,047,906	(₱4,130,508,313)	₱–	₱2,298,818	₱309,042,709	(₱46,444,389)	(₱942,563,269)	₱43,840,156	(₱898,723,113)
Deposits for future subscription	–	–	–	1,500,000,000	–	–	–	1,500,000,000	–	1,500,000,000
Net loss	–	–	(136,607,618)	–	–	–	–	(136,607,618)	(6,790,081)	(143,397,699)
Other comprehensive loss	–	–	–	–	–	(50,934,368)	–	(50,934,368)	(5,037,466)	(55,971,834)
Balance at December 31, 2018	₱940,000,000	₱1,983,047,906	(₱4,267,115,931)	₱1,500,000,000	₱2,298,818	₱258,108,341	(₱46,444,389)	₱369,894,745	₱32,012,609	₱401,907,354

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 **2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱170,176,115)**	(₱208,507,805)	(₱142,378,729)
Adjustments for:				
Interest expense	12	**55,402,784**	68,461,689	63,425,257
Depreciation and amortization	21	**44,207,766**	35,797,424	45,919,211
Provision for impairment losses	18	**5,406,234**	11,357,780	–
Reversal of write-off of receivables	5	**(5,343,303)**	**–**	–
Reversal of allowance for inventory write-down	6	**(5,059,115)**	(6,443,931)	–
Unrealized foreign exchange loss (gain)	23	**1,320,545**	(7,371,420)	(15,700,477)
Retirement expense	19	**999,688**	1,248,146	1,143,058
Interest income	4	**(105,670)**	(357,163)	(199,040)
Write off of receivables	5	**–**	13,782,633	11,866,475
Gain on sale of property, plant and equipment	23	**–**	–	(40,324,694)
Operating loss before working capital changes		**(73,347,186)**	(92,032,647)	(76,248,939)
Decrease (increase) in:				
Trade and other receivables		**(24,099,237)**	(24,685,594)	105,938,381
Inventories		**34,381,490**	123,773,627	(47,988,890)
Other current assets		**1,624,067**	44,745,520	(32,766,097)
Input VAT		**(951,365)**	(1,125,989)	4,578,207
Other noncurrent assets		**533,002**	669,858	410,371
Increase (decrease) in trade and other payables		**(53,533,871)**	23,640,684	97,461,855
Net cash generated from (used for) operations		**(115,393,100)**	74,985,459	51,384,888
Interest received		**105,670**	357,163	199,040
Income tax paid		**(25,594)**	(24,469)	(1,018,105)
Net cash provided by (used in) operating activities		**(115,313,024)**	75,318,153	50,565,823
CASH FLOWS FROM INVESTING ACTIVITIES	8			
Acquisitions of property, plant and equipment		**(5,855,180)**	(1,369,033)	(2,004,646)
Proceeds from disposals of property, plant and equipment		**–**	–	40,359,950
Net cash provided by (used in) investing activities		**(5,855,180)**	(1,369,033)	38,355,304
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of loans payable		**650,416,298**	456,101,493	502,134,513
Due to related parties		**67,813,068**	168,418,707	41,523,332
Payments for:				
Loans		**(442,744,973)**	(606,742,474)	(519,418,742)
Interest		**(53,927,185)**	(68,168,930)	(64,438,225)
Lease		**(8,207,073)**	(4,610,725)	–
Due from related parties		**(5,119,802)**	–	(14,797,078)
Net cash provided by (used in) financing activities		**208,230,333**	(55,001,929)	(54,996,200)

(Forward)

	Note	2020	2019	2018
		Years Ended December 31		
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**(₱22,114,972)**	(₱62,641,060)	(₱3,365,318)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**64,947,157**	(43,693,869)	30,559,609
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**21,247,687**	64,941,556	34,381,947
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱86,194,844**	₱21,247,687	₱64,941,556
NONCASH FINANCIAL INFORMATION				
Recognition of right-of-use (ROU) asset through recognition of lease liability	22	**₱–**	₱24,291,567	₱–
Reclassification of due to third parties to deposits for future subscription	14	**–**	–	1,500,000,000

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020 AND 2019
AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

1. **Corporate Information**

General Information

TKC Metals Corporation, (the Parent Company or TKC) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on November 28, 1996. TKC's shares of stock were listed for trading in the Philippine Stock Exchange (PSE) on July 20, 2001. The Parent Company is primarily a holding company and is engaged in marketing and selling of purlins and galvanized iron (GI) sheets.

The following are the subsidiaries of the Parent Company:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Percentage of Ownership 2020	2019	2018
Billions Steel International Limited (Billions)	Hong Kong	Investment holdings	**100%**	100%	100%
Zhangzhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold)*	People's Republic of China or PRC	Manufacture of steel pipes	**91%**	91%	91%
Treasure Steelworks Corporation (Treasure)	Philippines	Manufacture of steel products	**98%**	98%	98%
Campanilla Mineral Resources, Inc. (Campanilla)* *	Philippines	Mineral production	**70%**	70%	70%

* *Through Billions*
** *Has not yet commenced commercial operations as at December 31, 2020*

The Parent Company and its subsidiaries are collectively referred to as "the Group."

Star Equities, Inc. (SEI) owns 70.96% of the Parent Company. The ultimate parent company of TKC is JTKC Equities, Inc. (JEI). SEI and JEI are both holding companies and were incorporated in the Philippines.

On December 21, 2018, the Parent Company applied for the amendment of its Articles of Incorporation (AOI) for the change of the principal office address. As at report date, the SEC's approval on the change of the principal address is still pending.

On December 1, 2020, the Board of Directors (BOD) approved the amendment of the Parent Company's AOI to change the corporate name from TKC Metals Corporation to Textra Corporation and the reduction of the number of the Parent Company's BOD from eleven (11) to seven (7). These were subsequently approved by the stockholders on January 15, 2021.

The principal office address of the Parent Company is 2nd Floor W Tower Condominium 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City.

The registered office address of the Parent Company is Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City.

Status of Operations

Parent Company
In 2015, the Parent Company stopped the marketing and selling of purlins and GI sheets, its main business activity other than as a holding company. The Parent Company incurred total comprehensive loss of ₱105.9 million, ₱54.4 million and ₱1,519.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

In 2018, a stockholder assigned ₱1,500.0 million of his advances to Treasure to foreign investors who, in turn, reassigned these advances to the Parent Company and applied the advances against their subscriptions to the Parent Company's increase in authorized capital stock.

The increase in authorized capital of the Parent Company from ₱1,000.0 million divided into 1,000.0 million shares at ₱1 par value a share to ₱3,000.0 million divided into 3,000.0 million shares at ₱1 par value a share were approved by the BOD and the stockholders on September 3, 2018 and October 25, 2018, respectively.

Of the increase in authorized capital stock of ₱2,000.0 million divided into 2,000.0 million shares at ₱1 par value a share, 750.0 million shares were subscribed by foreign investors for ₱1,500.0 million against their assigned advances. The BOD approved the subscriptions and the debt to equity conversion on September 3, 2018.

The Parent Company applied for the increase in authorized capital stock with the SEC on December 21, 2018. As at opinion date, the SEC's approval on the increase in authorized capital stock is still pending.

The advances for the debt to equity conversion were classified as "Deposits for future subscription" under the "Equity" account in the consolidated statements of financial position.

In 2020, the Parent Company started to explore potential business ventures with third parties, particularly in technology businesses and broadband internet, to diversify its portfolio.

Treasure
As at December 31, 2020, Treasure has not resumed its plant operations. Treasure's total comprehensive loss amounted to ₱46.9 million, ₱72.4 million and ₱43.3 million for the years ended December 31, 2020, 2019 and 2018, respectively, resulting to a capital deficiency of ₱2,689.8 million and ₱2,642.9 million as at December 31, 2020 and 2019, respectively.

In 2013, Treasure suspended its plant operations (production of steel billets) in Iligan City and terminated its contract with plant employees due to a shortage in power supply in Mindanao. Treasure, however, plan to produce nickel concentrate and nickel pig iron instead to lessen the plant's power supply requirement. By shifting to nickel concentrate and nickel pig iron, the power supply requirement will drop to 5 megawatts per hour (MWPH) as compared to producing steel billets at 15 to 20 MWPH.

Treasure has almost completed the refurbishment and upgrade of the billet manufacturing plant and the installation of the iron ore beneficiating plant, sintering plant and the first blast furnace plant. These facilities can also be used to produce nickel concentrate and nickel pig iron.

Treasure is looking into a new technology for nickel leaching. This chemical process will take only two hours to extract nickel from laterite ores and will result to a nickel recovery rate of 20-50%. The processing plant will be developed in Iligan City to accommodate future expansion on this new environmentally-friendly nickel-leaching technology. Treasure will secure all the necessary permits to ensure compliance on environmental law in line with the planned diversification of operation from billets to nickel concentrate.

Management plans to start the rehabilitation of the plant facilities and the installation of the new equipment for nickel concentrate as soon as the Group gets a commitment from prospective investors.

ZZ Stronghold
ZZ Stronghold's has been incurring continuing operating losses resulting to a capital deficiency of ₱1,097.3 million and ₱1,151.1 million as at December 31, 2020 and 2019, respectively, primarily due to low production and sales volume coupled with the low price in the steel market in China. Moreover, the still prevailing coronavirus (COVID 19) pandemic has significantly affected ZZ Stronghold's operation and financial performance as at and for the year ended December 31, 2020.

ZZ Stronghold has been intensifying its marketing efforts and improving business opportunities to increase sales and generate improved results to reduce capital deficiency. In March 2021, ZZ Stronghold partnered with a third party and resumed the construction of its plant facilities which is estimated to be completed in 2021 pending all documentations before it would be allowed to be operational. Moreover, ZZ Stronghold is also planning to venture into a heavy industrial structure project for its available idle land. This project will be ZZ Stronghold's third plant facility.

Going Concern
The Group has been actively negotiating with prospective investors for potential business venture, and for financing the diversification and resumption of the Group's operations in Iligan City and the completion of the Group's Construction projects. The stockholders and other related parties of the Group, however, have committed to provide continuous financial support to sustain its operations and meet its maturing obligations.

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

Approval of Consolidated Financial Statements
The consolidated financial statements of the Group as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were authorized and approved for issuance by the BOD on June 12, 2021, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and SEC provisions.

Measurement Bases
The consolidated financial statements are presented in Philippine Peso (PHP), the Parent Company's functional currency. All values represent absolute amounts except when otherwise stated.

The functional currency of ZZ Stronghold is Chinese Renminbi (RMB).

The financial statements of the Group have been prepared on the historical cost basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or consideration paid in exchange for the incurrence of a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

Further information about the assumptions made in measuring fair value is included in Notes 9 and 30 to the consolidated financial statements.

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - Definition of a Business – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must include, at a minimum, 'an input and a substantive process that together significantly contribute to the ability to create an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases – *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Several other amendments apply for the first time in 2020, but are not relevant on the consolidated financial statements of the Group.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Several other amendments will apply for the first time after 2020, but are not relevant on the consolidated financial statements of the Group.

Basis of Consolidation

Subsidiaries - Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has right; to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.
The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position.

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Business Combinations and Goodwill. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In an instance where the contingent consideration does not fall within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI).

As at December 31, 2020 and 2019, the Group does not have financial assets at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, the Group's cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), due from related parties and refundable deposits (presented under "Other noncurrent assets" account) are classified under this category.

Cash. Cash pertains to cash on hand and cash in banks which are stated at face value. These are immediately available for use in current operations.

Cash Equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

Financial Liabilities

Classification. The Group classifies its financial liabilities as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at December 31, 2020 and 2019, the Group does not have financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process. Financial liabilities at amortized cost are included under current liabilities if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2020 and 2019, the Group's trade and other payables (excluding statutory liabilities), loans payable, lease liability and due to related parties are classified under this category.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for impairment losses on its financial assets measured at amortized cost based on expected credit loss (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Trade and other receivables. For trade and other receivables (excluding trade receivables from related parties and advances to officers and employees), the Group has applied the simplified approach in measuring ECL.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecasted direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments Measured at Amortized Cost. For these instruments, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- 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.

Otherwise, a financial instrument is classified as equity.

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:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount 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, 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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 at gross in the consolidated statement of financial position.

Advances to Officers and Employees
Advances to officers and employees represent advances which are subject to liquidation. These are carried at face amount in the consolidated statement of financial position and are recognized to the corresponding expense account upon liquidation.

Inventories
Inventories are valued at lower of cost and net realizable value (NRV). Cost is determined primarily through first-in-first-out method. The cost of finished goods comprises of raw materials, direct labor and related production overheads (based on normal operating capacity). Cost of raw materials includes purchase price and other taxes that are not subsequently recoverable from taxing authorities. The NRV of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. In determining the net realizable value, the Group considers any adjustment necessary for obsolescence. These are recognized in profit or loss when the related goods are sold.

Other Current Assets
Other current assets consist of creditable withholding tax (CWT), advances to suppliers and prepayments.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be carried forward to the succeeding year when in excess of income tax payable and utilized as payment for income taxes provided that these are properly supported with certificates of creditable tax withheld at source. CWT is stated at face amount less any impairment in value.

Advances to Suppliers. Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at the amount of cash paid in the consolidated statement of financial position and are recognized to the corresponding asset account when the goods or services for which the advances were made are received.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time. Prepayments are classified as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortization and any accumulated impairment value.

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Machinery and equipment	5 to 10
Buildings and leasehold improvements	20 and 3 or term of the lease, whichever is shorter, respectively
Office equipment, furniture and fixtures	3 to 5
Tools	3 to 5
Transportation equipment	5 to 10

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction-in-progress (CIP) represents properties under construction and is stated at cost, including costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of the property, plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are completed and available for operational use.

Leasehold Rights

The leasehold rights of Treasure and ZZ Stronghold are stated at cost less accumulated amortization and any impairment in value. Leasehold rights are measured on initial recognition at cost which includes purchase price and other direct costs. Subsequent to initial recognition, leasehold rights are carried at cost less any accumulated amortization and any impairment losses. The amortization of the leasehold rights is computed on a straight line basis over 25 years and 42 years for Treasure and ZZ Stronghold, respectively, which are the terms of the lease agreement.

The estimated useful lives and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the leasehold rights.

When leasehold rights are retired or disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction of a qualifying asset, which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that these will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognized as expense.

Capitalization of borrowing costs is suspended during extended period in which the Group suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Input VAT

Revenue, expenses and assets are recognized net of the amount of VAT, except for receivables and payables that are stated with the amount of VAT included. Input VAT is stated at face amount less impairment in value, if any. The Group classifies input VAT as current when it is expected to be realized within 12 months from the reporting period. Otherwise, these are classified as noncurrent assets.

Advances to Contractors

Advances to contractors represent funds advanced by the Group to its contractors in relation to its plant expansion projects. These are carried at the amount of cash paid in the consolidated statement of financial position and are recognized to the corresponding asset or expense account when the goods or services for which the advances were made are received or rendered. Advances to contractors wherein the corresponding services or goods are expected to be performed or delivered beyond one year after the reporting date are classified as noncurrent asset.

Impairment of Nonfinancial Assets

Nonfinancial assets consisting of property, plant and equipment, leasehold rights and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax.

Deficit. Deficit represents the cumulative balance of net income or loss, net of dividend declaration.

Deposits for Future Subscription. The Group classifies a contract to deliver its own equity instruments under equity as a separate account from "Outstanding Capital Stock" if and only if, all of the following elements set forth by the SEC are present as at end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD approval on the proposed increase in the authorized capital stock;
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Other Equity Reserves. Other equity reserves represent items of income and expenses that are not recognized in consolidated statement of comprehensive income for the year. This includes cumulative remeasurement gains and losses on retirement liability, net of deferred income tax, cumulative translation adjustment and adjustments to equity.

Adjustments to Equity. Adjustments to equity pertain to changes in ownership of non-controlling interest.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue is disaggregated by geographical region in the consolidated statement of comprehensive income.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Revenue. Revenue is recognized when the risk and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The performance obligations from sale of goods are satisfied upon delivery and are recognized at a point in time.

Interest Income. Income is recognized as the interest accrues taking into account the effective yield on the assets, net of final tax.

Rental Income. Rental income is recognized on a straight-line basis over the lease term.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs of Goods Sold. Costs of goods sold are recognized as expense when the related goods are sold.

Operating Expenses. Operating expenses constitute costs of administering the business and costs incurred to sell and market the goods. These are expensed when incurred.

Basic and Diluted Loss per Share

The Group presents basic and diluted loss per share. Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Group and held as treasury shares. Diluted loss per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

The Company has no dilutive potential common shares.

Leases

a. Accounting Policies prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (iii) or (iv) and at the date of renewal or extension period for scenario (ii).

Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

b. Accounting Policies beginning to January 1, 2019

The determination of whether an arrangement is, or a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the Group has both of the following:

i. The right to obtain substantially all of the economic benefits from use of the identified asset; and

ii. The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

Group as a Lessee. At the commencement date, the Group recognizes right-of-use (ROU) asset and a lease liability for all leases, except for leases with lease terms of twelve (12) months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Asset. At commencement date, the Group measures the ROU asset at cost. The cost comprises:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU asset is recognized under the same basis with property and equipment at the present value of the lease liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU asset is carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability resulting from reassessments or lease modifications.

The ROU asset is amortized using the straight-line method over the lease term of the underlying leased asset of 3 years.

ROU asset is presented as part of "Property, plant and equipment" account in the consolidated statement of financial position.

Lease Liability. At commencement date, the Group measures lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Employee Benefits

Short-term Benefits. The Group provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. TKC and Treasure have unfunded, non-contributory retirement plan covering their qualified employees while ZZ Stronghold maintains a state managed social security contribution plan for the retirement benefits of its employees. Costs of retirement benefits are actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Interest on retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability. Interest is calculated by applying the discount rate to the defined benefit liability.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Foreign Currency Transactions and Translation

The functional currency of the Parent Company, Treasure and Campanilla is the Philippine Peso while ZZ Stronghold is the Chinese Renminbi. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of the ZZ Stronghold are translated into Philippine Peso at the rate of exchange ruling at the reporting date and income and expenses are translated to Philippine Peso at monthly average exchange rates. The exchange differences arising on the translation are taken directly to OCI and presented as a separate component of equity under the “Cumulative translation adjustments” account.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Group’s total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group’s total assets. Details of transactions entered into by the Group with related parties are reviewed by the Risk and Audit Committee and the BOD in accordance with the Group's related party transactions policies.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group’s senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group’s operating businesses are organized and managed separately based on geographical segment, with each business representing a strategic business segment.

Events After the Reporting Date

Post year-end events that provide additional information about the Group’s financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. **Significant Judgment, Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgment, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgment and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgment, accounting estimates and assumptions made by the Group:

Assessing the Ability of the Group to Continue as Going Concern. The Group has been incurring continuing losses in the previous years, consolidated total comprehensive loss amounted to ₱163.4 million, ₱179.0 million and ₱199.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. Treasure has ceased operations since 2013. Moreover, the two subsidiaries had to suspend their plant construction projects which costs aggregated ₱3,045.2 million and ₱3,024.2 million as at December 31, 2020 and 2019, respectively.

With the Group' business development projects as discussed in Note 1, and the related parties continuing financial support to sustain the Group's operations, management has assessed that the Group can continue as a going concern. Accordingly, the consolidated financial statements were prepared on a going concern basis.

Determining the Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Determining the Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Group's chief operating decision maker, which is defined to be the Group's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

The Group has three reportable operating segments and generates revenues from two geographical segments, Philippines and China.

Further information about the operating segments of the Group is included in Note 27 to the consolidated financial statements.

Estimating the ROU Asset and Lease Liability. The Group determines lease payments, lease term and discount rate at the commencement date of a lease. The lease term comprises non-cancellable period of a lease contract. Any option to extend or terminate the lease that is included in the lease term must be enforceable. The Group considers all relevant facts and circumstances that create an economic incentive for the Group to exercise, or not to exercise, the option such as, but not limited to, significant leasehold improvements undertaken and the importance of the underlying asset to the Group's operations.

Interest expense on lease liability amounted to ₱0.7 million and ₱38,206 in 2020 and 2019, respectively. Amortization on ROU asset amounted to ₱8.1 million and ₱2.4 million in 2020 and 2019, respectively (see Note 22).

The ROU asset was initially measured at the amount equal to the lease liability amounting to ₱24.3 million. As at December 31, 2020 and 2019, the carrying amount of ROU asset amounted to ₱13.8 million and ₱21.9 million, respectively, while the carrying amount of lease liability amounted to ₱12.2 million and ₱19.7 million, respectively (see Note 22).

Determining the Discount Rate for Lease. The Group uses its incremental borrowing rate as basis for the discount rate which is the rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group uses its general borrowing rate adjusted for the lease term, security of an item with the underlying nature of the leased asset and expectations of residual value, among others.

The Group recognized ROU asset and lease liability using the discount rate of 4.2% as at September 15, 2019 (see Note 22).

Estimating the ECL on Trade and Other Receivables. The Group estimates ECL on trade and other receivables (excluding trade receivables from related parties and advances to officers and employees) using a provision matrix which considers the Group's historical credit loss experience adjusted for forward-looking factors, as appropriate. The Group has no observed default experience from trade receivable. Consequently, the resulting lifetime ECL on trade receivable is considered not significant.

The amounts and timing of recorded expenses for any period would differ if different estimates and assumptions were made or different estimates were utilized. An increase in the allowance for ECL would increase the recognized expense and decrease current assets.

Provision for ECL on trade and other receivables amounting to ₱4.2 million and ₱11.3 million was recognized in 2020 and 2019, respectively. No provision for ECL on trade and other receivables was recognized in 2018. Receivables directly written-off in prior years were reversed by ZZ Stronghold in 2020 aggregating ₱5.3 million. Receivables amounting to ₱13.8 million and ₱11.9 million were directly written off by ZZ Stronghold in 2019 and 2018, respectively. Trade and other receivables (excluding trade receivables from related parties and advances to officers and employees), net of allowance for ECL, amounted to ₱89.8 million and ₱67.3 million as at December 31, 2020 and 2019, respectively (see Note 5).

Estimating the ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on probability-weighted estimate of the present value of all cash shortfalls over the expected life of the financial assets at amortized cost. ECL are provided for credit losses that result to possible default events within 12-months unless there has been a significant increase in credit risk since initial recognition, in which case, ECL are provided based on lifetime expected credit loss.

The related party balances are non-interest bearing and collectible on demand. These exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will have insufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. Relying on the 90 days past due rebuttable presumption is not considered an appropriate backstop indicator given the lack of contractual payment obligations due throughout the life of the loan. After taking into consideration the related parties' ability to pay depending on the sufficiency of liquid assets and available forward-looking information, the risk of default of the related parties is assessed to be minimal.

While cash in banks and cash equivalents are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because these are with reputable counterparty banks that possess good credit rating. Cash in banks and cash equivalents amounted to ₱86.0 million and ₱21.1 million as at December 31, 2020 and 2019, respectively (see Note 4).

Provision for ECL on due from related parties amounting to ₱1.3 million was recognized in 2020. No provision for ECL was recognized on other financial assets at amortized cost in 2019 and 2018 (see Note 13).

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2020**	2019
Trade receivables from related parties	5, 13	**₱43,639,292**	₱47,794,666
Due from related parties	13	**43,845,477**	39,976,535
Refundable deposits*	10	**2,926,363**	2,926,363

**Presented as part of "Other noncurrent assets" account*

Determining the NRV of Inventories. The Group, in determining the NRV of inventories, considers any adjustments for obsolescence, which is generally 100% allowance on inventories that are damaged or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgment was made or different estimates were used. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

No impairment loss on inventories was recognized by the Group in 2020, 2019 and 2018. As at December 31, 2020 and 2019, inventories carried at the lower of cost and NRV amounted to ₱319.5 million and ₱365.8 million, respectively. Allowance for inventory write-down amounted to ₱138.0 million and ₱143.0 million as at December 31, 2020 and 2019, respectively (see Note 6).

Estimating the Useful Lives of Property, Plant and Equipment and Leasehold Rights. The Group estimates the useful lives of property, plant and equipment, and leasehold rights based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment and leasehold rights are reviewed at each reporting date 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. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property, plant and equipment and leasehold rights in 2020, 2019 and 2018.

Depreciation and amortization amounted to ₱44.2 million, ₱35.8 million and ₱45.9 million in 2020, 2019 and 2018, respectively (see Note 21).

Property, plant and equipment, net of accumulated depreciation and amortization, and impairment loss, amounted to ₱3,268.9 million and ₱3,277.8 million as at December 31, 2020 and 2019, respectively (see Note 8).

Leasehold rights, net of accumulated amortization, amounted to ₱197.1 million and ₱203.2 million as at December 31, 2020 and 2019, respectively (see Note 9).

Assessing the Impairment of Nonfinancial Assets

a. Property, Plant and Equipment, and Leasehold Rights

   The Group assesses impairment on property, plant and equipment, and leasehold rights whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considered 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; or
   - Significant negative industry or economic trends.

   Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

   No impairment loss on property, plant and equipment, and leasehold rights was recognized by the Group in 2020, 2019 and 2018. As at December 31, 2020 and 2019, the carrying amount of property, plant and equipment, and leasehold rights aggregated ₱3,466.0 million and ₱3,481.0 million, respectively (see Notes 8 and 9).

b. CWT and Input VAT

The carrying amounts of the CWT and input VAT are adjusted to an extent that it is probable that sufficient taxable profit and revenue subject to output VAT, respectively, will be available to allow all or part of the CWT and input VAT to be recoverable. Any allowance for unrecoverable portion of CWT and input VAT is maintained at a level considered adequate to provide for potentially unrecoverable portion. The level of allowance is based on past application experience and other factors that may affect recoverability.

In 2020, 2019 and 2018, no impairment losses have been recognized for the CWT and input VAT. The carrying amounts of CWT and input VAT aggregated ₱291.4 million and ₱290.5 million as at December 31, 2020 and 2019, respectively.

c. Goodwill

The Group's management conducts an annual review for any impairment in value of the goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying amount. The impairment of goodwill is determined by comparing (a) the carrying amount of goodwill plus the net tangible assets of the merged entity and (b) the fair value less costs of disposal. Goodwill amounted to ₱11.8 million as at December 31, 2020 and 2019. Goodwill is presented as part of "Other noncurrent assets" in the consolidated statement of financial position (see Note 10).

No impairment on goodwill was recognized in 2020, 2019 and 2018.

Determining the Retirement Benefit Costs. The determination of the Group's obligation and cost of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 19 to the consolidated financial statements and include, among others, discount rates and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefit obligations.

Retirement expense amounted to ₱1.0 million, ₱1.2 million and ₱1.1 million in 2020, 2019 and 2018, respectively. The retirement liability amounted to ₱9.9 million and ₱8.7 million as at December 31, 2020 and 2019, respectively. The cumulative remeasurement gains on net retirement liability (net of deferred tax) recognized in equity amounted to ₱3.1 million and ₱3.4 million as at December 31, 2020 and 2019, respectively (see Note 19).

Recognizing the Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date are reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group did not recognize deferred tax assets amounting to ₱343.0 million and ₱344.3 million as at December 31, 2020 and 2019, respectively. Management believes that it may not be able to utilize these deferred tax assets against future tax liabilities (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱215,513**	₱154,887
Cash in banks	**59,667,416**	18,162,216
Cash equivalents	**26,311,915**	2,930,584
	₱86,194,844	₱21,247,687

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are made for varying periods ranging from 30 to 90 days.

Interest income earned on cash in banks and cash equivalents amounted to ₱105,670, ₱357,163 and ₱199,040 in 2020, 2019 and 2018, respectively (see Note 23).

5. Trade and other Receivables

This account consists of:

	Note	**2020**	2019
Trade:			
Third parties		**₱100,616,290**	₱78,092,124
Related parties	13	**47,794,666**	47,794,666
Advances to officers and employees		**2,597,283**	2,367,314
Others		**543,054**	543,080
		151,551,293	128,797,184
Allowance for ECL		**(15,487,230)**	(11,331,856)
		₱136,064,063	₱117,465,328

The details and movements of allowance for ECL on trade receivables are as follows:

	Note	**2020**	2019
Balance at beginning of year		**₱11,331,856**	₱–
Provision for ECL:			
Related parties	13	**4,155,374**	–
Third parties		**–**	11,331,856
Balance at end of year		**₱15,487,230**	₱11,331,856

Trade receivables are unsecured, noninterest-bearing and are generally on a 30 to 90-day credit term.

Advances to officers and employees are noninterest-bearing and are subject to liquidation within a year.

In 2020 and 2019, TKC recognized provision for ECL on trade receivables amounting to ₱4.2 million and ₱11.3 million, respectively (see Note 18). No provision for ECL on trade receivables was recognized in 2018.

Receivables directly written-off in prior years were reversed by ZZ Stronghold in 2020 amounting to ₱5.3 million due to subsequent collections (see Note 23). Long-outstanding receivables amounting to ₱13.8 million and ₱11.9 million were directly written off by ZZ Stronghold in 2019 and 2018, respectively (see Note 17).

6. Inventories

This account consists of:

	2020		2019	
	At Cost	**At NRV**	At Cost	At NRV
Raw materials and spare parts	**₱346,589,779**	**₱209,787,370**	₱419,878,237	₱278,016,713
Finished goods	**74,423,902**	**74,392,322**	52,388,211	52,356,631
Factory supplies	**31,866,031**	**31,866,031**	31,966,129	31,966,129
Scrap metals	**4,588,769**	**3,443,173**	4,588,769	3,443,173
	₱457,468,481	**₱319,488,896**	₱508,821,346	₱365,782,646

Allowance for inventory write-down amounting to ₱5.1 million and ₱6.4 million was reversed in 2020 and 2019, respectively, as a result of sale. Allowance for inventory write-down amounted to ₱138.0 million and ₱143.0 million as at December 31, 2020 and 2019, respectively. No impairment loss on inventories was recognized by the Group in 2020, 2019 and 2018.

Inventories charged to operations amounted to ₱426.9 million, ₱444.1 million and ₱575.7 million in 2020, 2019 and 2018, respectively (see Note 16).

7. Other Current Assets

This account consists of:

	2020	2019
CWT	**₱68,393,150**	₱68,399,572
Advances to suppliers	**13,186,699**	14,300,925
Prepayments	**11,092,063**	12,360,319
	92,671,912	95,060,816
Allowance for impairment on advances to suppliers	**(240,707)**	(240,707)
	₱92,431,205	₱94,820,109

Advances to suppliers are advance payments for purchase of scrap and other raw materials. These advances are subsequently recognized as inventory upon delivery of materials.

In 2019, the Parent Company recognized additional provision for impairment on advances to suppliers amounting to ₱25,924 (see Note 18).

8. Property, Plant and Equipment

The balances and movements of this account are as follows:

	Note	2020							
	Note	CIP	Machinery and Equipment	Buildings and Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools	Transportation Equipment	ROU Asset	Total
Cost									
Balances at beginning of year		₱3,707,655,115	₱731,306,284	₱277,357,587	₱15,894,857	₱3,741,737	₱5,537,822	₱24,291,567	₱4,765,784,969
Additions		1,393,687	2,820,222	–	11,561	–	1,629,710	–	5,855,180
Exchange realignment		19,646,526	2,942,887	2,883,926	86,911	–	12,379	–	25,572,629
Balances at end of year		3,728,695,328	737,069,393	280,241,513	15,993,329	3,741,737	7,179,911	24,291,567	4,797,212,778
Accumulated Depreciation, Amortization and Impairment loss									
Balances at beginning of year		683,451,047	590,943,046	186,272,055	15,709,989	3,741,737	5,490,901	2,361,680	1,487,970,455
Depreciation and amortization	21	–	16,795,282	10,389,922	98,546	–	264,834	8,097,189	35,645,773
Exchange realignment		–	2,884,245	1,682,428	85,247	–	11,760	–	4,663,680
Balances at end of year		683,451,047	610,622,573	198,344,405	15,893,782	3,741,737	5,767,495	10,458,869	1,528,279,908
Carrying Amount		₱3,045,244,281	₱126,446,820	₱81,897,108	₱99,547	₱–	₱1,412,416	₱13,832,698	₱3,268,932,870

	Note	2019							
	Note	CIP	Machinery and Equipment	Buildings and Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools	Transportation Equipment	ROU Asset	Total
Cost									
Balances at beginning of year		₱3,785,708,795	₱741,557,300	₱288,815,136	₱16,240,145	₱3,741,737	₱5,587,001	₱–	₱4,841,650,114
Additions		–	1,369,033	–	–	–	–	–	1,369,033
Adoption of PFRS 16		–	–	–	–	–	–	24,291,567	24,291,567
Exchange realignment		(78,053,680)	(11,620,049)	(11,457,549)	(345,288)	–	(49,179)	–	(101,525,745)
Balances at end of year		3,707,655,115	731,306,284	277,357,587	15,894,857	3,741,737	5,537,822	24,291,567	4,765,784,969
Accumulated Depreciation, Amortization and Impairment loss									
Balances at beginning of year		683,451,047	585,965,939	181,899,212	15,952,792	3,741,737	5,349,976	–	1,476,360,703
Depreciation and amortization	21	–	16,312,130	10,506,363	90,680	–	178,301	2,361,680	29,449,154
Exchange realignment		–	(11,335,023)	(6,133,520)	(333,483)	–	(37,376)	–	(17,839,402)
Balances at end of year		683,451,047	590,943,046	186,272,055	15,709,989	3,741,737	5,490,901	2,361,680	1,487,970,455
Carrying Amount		₱3,024,204,068	₱140,363,238	₱91,085,532	₱184,868	₱–	₱46,921	₱21,929,887	₱3,277,814,514

CIP pertains to Treasure's and ZZ Stronghold's plant expansion projects. These projects include the construction of iron ore beneficiating plant, two blast furnace, sintering plant, and refurbishment and upgrade of billet manufacturing plant of Treasure in Iligan City, and the construction of building and plant facilities of ZZ Stronghold in China. These projects, except the second blast furnace of Treasure, were almost completed and are subject to the final stage of testing.

As discussed in Note 1, ZZ Stronghold has been incurring operating losses. The market value of the property, plant and equipment, and leasehold rights of ZZ Stronghold is higher than the recorded net carrying amount by ₱136.5 million as at December 31, 2020 as determined by an independent appraiser using cost approach in its report dated April 6, 2021. The fair value was determined using level 2 in the fair value hierarchy (significant observable inputs).

Based on the cost approach, an estimate is made of the current replacement cost of the replaceable property based on prevailing market prices for materials, labor, and overhead associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. Adjustments were made to reflect depreciation due to physical deterioration and any functional and economic obsolescence that may exist to arrive at a reasonable valuation. The fair value of the property, plant and equipment, which is also equal to its depreciated replacement cost, is based on the “highest and best use” taking into account the use of the assets that is physically possible, legally permissible and financially feasible.

The completion of the construction of Treasure has been long delayed because the Group has not been able to get potential investors not only to fund the completion but to resume operations (see Note 1). Treasure reviewed the recoverability of Treasure’s assets at fair value less costs to sell using an independent valuation rather than value in use because of the significant delay and the significant downturn in the industry brought about by the declining prices of steel and demand level.

As at December 31, 2019, the fair value of Treasure’s property, plant and equipment is estimated at ₱2,428.9 million and was determined using the current depreciated replacement cost as determined by an independent appraiser. The inputs used to determine the market value of the property, plant and equipment using the cost approach includes the current cost of reproduction of the replaceable property in accordance with the prevailing market prices for materials, equipment, labor, overhead, and all other attendant costs associated with the properties' acquisition. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic and obsolescence that may exist. Accordingly, the fair value measurement used is classified as Level 2.

The fair value of Treasure’s property, plant and equipment amounted to ₱2,355.1 million as at December 31, 2020 using the market value approach, determined by an independent appraiser in its report dated March 24, 2021. The inputs used to determine the market value of the property, plant and equipment includes the new replacement or reproduction cost of the replaceable property in accordance with current market prices for manufactured equipment, current prices of similar used property in the second hand market, and the age, condition, past maintenance, and present and prospective serviceability in comparison with units of like kind. Due to the current economic condition the Management elected to change the valuation technique used in the appraisal from cost approach to the market value approach. Management has assessed that any reasonably possible changes in the key assumptions on which the recoverable amount is based would result to significant changes in the fair value of property, plant and equipment.

As at December 31, 2020 and 2019, no additional impairment loss on the Group’s property, plant and equipment was recognized.

As at December 31, 2020 and 2019, the Group’s cumulative impairment loss on property, plant and equipment amounted to ₱683.5 million.

There was no capitalization of borrowing costs in 2020, 2019 and 2018 because the active development of the plant was stopped. Capitalized borrowing costs amounted to ₱50.7 million as at December 31, 2020 and 2019.

In 2018, Treasure disposed of its fully depreciated machinery and equipment, and transportation equipment with costs amounting to ₱24.6 million and ₱2.8 million, respectively. The disposal resulted to a gain on sale amounting to ₱40.3 million in 2018. ZZ Stronghold recorded a gain on disposal of transportation equipment amounting to ₱47,291 in 2018 (see Note 23).

Property, plant and equipment of ZZ Stronghold with carrying amount of ₱81.9 million and ₱91.0 million as at December 31, 2020 and 2019, respectively, were pledged to secure the loans payable of ZZ Stronghold (see Note 12).

Fully depreciated assets still in use amounted to ₱589.9 million and ₱583.6 million as at December 31, 2020 and 2019, respectively.

Construction Commitments

The Group has several construction contracts on its plant expansion projects covering mainly the beneficiating plant, blast furnace, sintering plant and billet manufacturing plant.

9. Leasehold Rights

The balances and movements of this account are as follows:

			2020	
	Note	**ZZ Stronghold**	**Treasure**	**Total**
Cost				
Balances at beginning of year		**₱235,381,833**	**₱46,000,000**	**₱281,381,833**
Exchange realignment		**3,104,893**	**–**	**3,104,893**
Balances at end of year		**238,486,726**	**46,000,000**	**284,486,726**
Accumulated Amortization				
Balances at beginning of year		**50,897,355**	**27,293,333**	**78,190,688**
Amortization	21	**6,721,993**	**1,840,000**	**8,561,993**
Exchange realignment		**671,381**	**–**	**671,381**
Balances at end of year		**58,290,729**	**29,133,333**	**87,424,062**
Carrying Amount		**₱180,195,997**	**₱16,866,667**	**₱197,062,664**

			2019	
	Note	ZZ Stronghold	Treasure	Total
Cost				
Balances at beginning of year		₱247,717,262	₱46,000,000	₱293,717,262
Exchange realignment		(12,335,429)	–	(12,335,429)
Balances at end of year		235,381,833	46,000,000	281,381,833
Accumulated Amortization				
Balances at beginning of year		46,582,519	25,453,333	72,035,852
Amortization	21	4,508,270	1,840,000	6,348,270
Exchange realignment		(193,434)	–	(193,434)
Balances at end of year		50,897,355	27,293,333	78,190,688
Carrying Amount		₱184,484,478	₱18,706,667	₱203,191,145

ZZ Stronghold

On December 8, 2005, ZZ Stronghold has a contractual agreement (the Agreement) with China Merchants ZhangZhou Development Zone Co. Ltd. (China Merchants) for the right to use a parcel of land located in 1M2-05 Zone I, China Merchants Development Zone for a period of 42 years. The land is where the ZZ Stronghold steel plant is located.

The leasehold rights with a carrying amount of ₱180.2 million and ₱184.5 million as at December 31, 2020 and 2019, respectively, were pledged to secure the loans payable of ZZ Stronghold (see Note 12).

As discussed in Note 9, the market value of the property, plant and equipment, and leasehold rights of ZZ Stronghold is higher than the recorded net carrying amount by ₱136.5 million as at December 31, 2020 as determined by an independent appraiser using cost approach in its report dated April 6, 2021.

Treasure

In 2005, Treasure (lessee) entered into a Memorandum of Agreement (MOA) with Global Ispat Holdings, Ltd. and Global Steelworks International, Inc. (lessors, both of whom are nonrelated parties) for the lease of a steel billet making plant located in Iligan City, Lanao del Norte, Philippines for a period of 25 years.

The MOA provides among others, that Treasure shall:

- Fully settle the claims, liens and encumbrances in the property; and
- Rehabilitate and commercially operate the steel billet making plant.

Settlements paid by Treasure amounting to ₱46.0 million were recorded as "Leasehold rights" in the consolidated statements of financial position.

10. Other Noncurrent Assets

This account consists of:

	Note	**2020**	2019
Advances to contractors		**₱46,651,046**	₱46,651,046
Goodwill	15	**11,803,406**	11,803,406
Refundable deposits	22	**2,926,363**	2,926,363
Others		**4,250,000**	4,250,000
		65,630,815	65,630,815
Allowance for impairment on advances to contractors		**(46,651,046)**	(46,651,046)
		₱18,979,769	₱18,979,769

Advances to contractors pertain to funds advanced by Treasure to its contractors in relation to its plant expansion projects.

The Group has assessed that there is no impairment on goodwill arising from the acquisition of Billions. The recoverable amount of Billions is based on fair value less costs of disposal which is measured using cost approach and is classified as Level 2 of the fair value hierarchy.

Cost approach method of valuation is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Management has assessed that any reasonably possible changes in the key assumptions on which the CGU's recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Refundable deposits pertain mainly to the Parent Company's five-year office lease contract with a third party which commenced in September 2014. The Group renewed its office space lease in September 2019. The new lease has a term of 36 months, which will end in September 2022 (see Note 22).

11. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade payables:			
Third parties		**₱818,865,109**	₱867,146,266
Related parties	13	**10,148,770**	10,148,770
Accruals		**94,581,005**	80,749,956
Statutory payables		**25,629,188**	26,838,566
Salaries payable		**20,803,496**	18,517,254
Others		**8,773,368**	8,903,715
		₱978,800,936	₱1,012,304,527

Trade payables consist of unsecured, noninterest-bearing obligations that are payable in cash and normally settled within one year.

Trade payables also consist of interest-bearing obligations amounting to ₱33.2 million as at December 31, 2020 and 2019 with an annual interest rate of 6.3%. Interest expense recognized on the obligations amounted to nil, ₱2.0 million and ₱1.9 million in 2020, 2019 and 2018, respectively (see Note 12).

Accruals pertain to materials, professional fees, interest and taxes already incurred but not yet billed and paid. These are generally settled within one year.

Statutory payables pertain to obligations to government agencies that should be settled in the following month.

12. Loans Payable

This account represents unsecured peso and renminbi denominated loans of the Group aggregating ₱985.3 million and ₱825.0 million as at December 31, 2020 and 2019, respectively. These loans have maturity of 1 to 3 years and renewable upon mutual agreement of the parties. A portion of the principal loans of TKC aggregating ₱160.0 million was paid in November 2019.

Details are as follows:

	2020				
	Original Currency	**Amount of Loan (original currency)**	**Amount of Loan (in Peso)**	**Source of Loan**	**Interest Rate**
TKC	PHP	**168,998,657**	**₱168,998,657**	Local bank	5.75% to 8.75%
Treasure	PHP	**199,892,361**	**199,892,361**	Local bank	5.75% to 8.75%
ZZ Stronghold	RMB	**83,900,000**	**616,402,059**	Foreign bank	5.05% to 5.50%
			₱985,293,077		

	2019				
	Original Currency	Amount of Loan (original currency)	Amount of Loan (in Peso)	Source of Loan	Interest Rate
TKC	PHP	168,998,657	₱168,998,657	Local bank	7.75% to 8.25%
Treasure	PHP	199,892,361	199,892,361	Local bank	7.75% to 8.25%
ZZ Stronghold	RMB	62,900,000	456,101,493	Foreign bank	5.05% to 5.17%
			₱824,992,511		

Property, plant and equipment with a carrying amount of ₱81.9 million and ₱91.0 million; and leasehold rights with carrying amount of ₱180.2 million and ₱184.5 million as at December 31, 2020 and 2019, respectively, were pledged as collateral of ZZ Stronghold's loans payable of ₱616.4 million and ₱456.1 million as at December 31, 2020 and 2019, respectively (see Notes 8 and 9). The proceeds of the loans were used to finance its acquisition of raw materials. There are no other covenants that the Group must comply with.

Loans payable of the Parent Company and Treasure are unsecured.

Loans payable are broken down as follows:

	2020	2019
Current	**₱890,518,505**	₱824,992,511
Noncurrent	**94,774,572**	–
	₱985,293,077	₱824,992,511

Details of interest expense are as follows:

	Note	**2020**	2019	2018
Loans payable		**₱54,685,600**	₱66,451,933	₱61,537,696
Lease liability	22	**717,184**	38,206	–
Trade payable	11	**–**	1,971,550	1,887,561
		₱55,402,784	₱68,461,689	₱63,425,257

The changes in liabilities arising from financing activities are as follows:

	2020						
				Financing Cashflow			
	Balance at Beginning of Year	**Interest Expense**	**Prepaid Interest**	**Proceeds**	**Payments**	**Exchange Realignment**	**Balance at End of Year**
Loans payable	**₱824,992,511**	**₱54,685,600**	**(₱758,415)**	**₱650,416,298**	**(₱496,672,158)**	**(₱47,370,759)**	**₱985,293,077**
Due to related parties	**2,255,450,194**	**–**	–	**67,813,068**	**–**	**–**	**2,323,263,262**
Lease liability	**19,719,048**	**717,184**	–	**–**	**(8,207,073)**	**–**	**12,229,159**
	₱3,100,161,753	**₱55,402,784**	**(₱758,415)**	**₱718,229,366**	**(₱504,879,231)**	**(₱47,370,759)**	**₱3,320,785,498**

	2019						
			Financing Cashflow		Non-Cash Changes		
	Balance at Beginning of Year	Interest Expense	Proceeds	Payments	Exchange Realignment	Recognition of lease liability	Balance at End of Year
Loans payable	₱1,031,025,531	₱66,451,933	₱456,101,493	(₱673,194,407)	(₱55,392,039)	₱–	₱824,992,511
Due to related parties	2,087,031,487	–	168,418,707	–	–	–	2,255,450,194
Lease liability	–	38,206	–	(4,610,725)	–	24,291,567	19,719,048
	₱3,118,057,018	₱66,490,139	₱624,520,200	(₱677,805,132)	(₱55,392,039)	₱24,291,567	₱3,100,161,753

13. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business as follows:

Trade Receivables

Trade receivables are from sale of inventories and are unsecured, noninterest-bearing, collectible in cash and are generally on a 30 to 90-day credit term (see Note 5). Provision for ECL on trade receivables from related parties amounting to ₱4.2 million was recognized in 2020. No provision for ECL on trade receivables from related parties was recognized in 2019 and 2018 (see Note 18).

Transactions and outstanding balances arising from sale of inventories are as follows:

	Amount of Transactions		Outstanding Balance	
	2020	2019	**2020**	2019
Under common control	**₱–**	₱–	**₱47,794,666**	₱47,794,666
Allowance for ECL	**(4,155,374)**	–	**(4,155,374)**	–
			₱43,639,292	₱47,794,666

Trade Payables

Trade payables are from inventory purchases and availment of manufacturing services. These are unsecured, noninterest-bearing and payable in cash and normally settled within one year (see Note 11). These are summarized as follows:

	Amount of Transactions		Outstanding Balance	
	2020	2019	**2020**	2019
Under common control	**₱–**	₱–	**₱10,148,770**	₱10,148,770

Due from Related Parties

Due from related parties pertain to unsecured, noninterest-bearing advances for working capital requirements. These are normally settled in cash throughout the year. Provision for ECL on due from related parties amounting to ₱1.3 million was recognized in 2020. No provision for ECL was recognized in 2019 and 2018 (see Note 18).

Summarized below are the outstanding accounts arising from these transactions.

	Amount of Transactions		Outstanding Balance	
	2020	2019	**2020**	2019
Stockholder	**₱5,119,802**	₱–	**₱16,958,475**	₱11,838,673
Under common control	**–**	–	**28,137,862**	28,137,862
			45,096,337	39,976,535
Allowance for ECL			**(1,250,860)**	–
			₱43,845,477	₱39,976,535

Due to Related Parties

Due to related parties are unsecured and noninterest-bearing advances for working capital requirements. These are payable on demand and to be settled in cash.

Summarized below are the outstanding accounts arising from these transactions.

	Amount of Transactions		Outstanding Balance	
	2020	2019	**2020**	2019
Stockholders	**₱67,813,068**	₱168,418,707	**₱1,629,344,650**	₱1,561,531,582
Ultimate Parent	**–**	–	**437,691,362**	437,691,362
Under common control	**–**	–	**256,227,250**	256,227,250
			₱2,323,263,262	₱2,255,450,194

Treasure has been receiving continuous financial support from related parties to meet its maturing obligations and to finance its working capital. On September 14, 2018, a stockholder assigned portion of his advances to Treasure amounting to ₱1,500.0 million to foreign investors. These investors re-assigned the advances to the Parent Company and applied the advances against their subscription to the increase in authorized capital stock of the Parent Company. The debt to equity conversion is subject to the approval of the increase in authorized capital stock which is still pending with the SEC.

Due to the capital deficiency position of Treasure resulting from continuing losses from operations, an allowance of ₱1,500.0 million was recognized by the Parent Company in its separate financial statements on the amounts due from Treasure, arising from the assignment.

The intercompany advances and the recognized allowance for impairment in the books of the Parent Company and Treasure were eliminated in full in the consolidated financial statements (see Note 27).

Summarized below are the receivables from related parties which are eliminated in the consolidation.

	Nature of transactions	**2020**	2019
Subsidiaries:			
Treasure:			
Due from related parties	Advances for working capital	**₱2,509,028,225**	₱2,504,981,244
Trade receivables	Sale of inventories	**2,176,670**	2,176,670
Billions -			
Due from related parties	Advances for working capital	**305,230,058**	307,761,458
Campanilla -			
Due from related parties	Advances for working capital	**1,997,179**	1,890,529
		₱2,818,432,132	₱2,816,809,901

Compensation of key management personnel of the Group follows:

	2020	2019	2018
Short-term benefits	**₱2,973,733**	₱3,409,817	₱5,889,402
Post-employment benefits	**555,019**	170,860	161,549
	₱3,528,752	₱3,580,677	₱6,050,951

14. **Equity**

Capital Stock

Details of the common stock as at December 31, 2020 and 2019 follows:

	Shares	Amount
Authorized - ₱1 Par Value	1,000,000,000	₱1,000,000,000
Issued and outstanding	940,000,000	₱940,000,000

The details and movements of the shares listed with the PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
November 28, 2006	Acquisition by SEI	25,000,000	₱1.00
April 13, 2007	Subscription of additional shares by SEI	240,000,000	₱1.00
April 16, 2007	Subscription of additional shares by SEI	440,000,000	₱1.00
November 23, 2007	Follow-On-Offering (FOO)	235,000,000	₱9.68
		940,000,000	

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2020 and 2019, public ownership over the Parent Company is 29.04%.

Deposits for Future Subscription

On September 3, 2018, the BOD approved the increase in authorized capital of TKC from ₱1,000.0 million divided into 1,000.0 million shares at ₱1 par value per share, to ₱3,000.0 million divided into 3,000.0 million shares at ₱1 par value a share.

Of the increase in authorized capital stock of ₱2,000.0 million divided into 2,000.0 million shares at ₱1 par value a share, 750.0 million shares were subscribed by foreign investors for ₱1,500.0 million. The subscriptions were paid in full by converting their assigned advances from Treasure to the Parent Company (see Note 13). On September 3, 2018, the BOD approved the subscription and debt to equity conversion.

On October 25, 2018, the increase in authorized capital stock was approved by the stockholders. The Parent Company applied for the increase in authorized capital stock with the SEC on December 21, 2018. As at opinion date, the SEC's approval on the increase in authorized capital stock is still pending.

The advances for debt to equity conversion were classified as "Deposits for future subscription" under "Equity" in the consolidated statements of financial position.

Non-controlling Interest

The Group's non-controlling interests represent 9%, 2% and 30% ownership of ZZ Stronghold, Treasure & Campanilla, respectively. Non-controlling interests amounted to ₱18.9 million and ₱26.2 million as at December 31, 2020 and 2019, respectively.

The net loss allocated to non-controlling interests amounted to ₱7.9 million, ₱8.6 million and ₱6.8 million in 2020, 2019 and 2018, respectively.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
Total assets	**₱4,240,929,399**	₱4,210,017,872	₱4,451,544,676
Total liabilities	**8,152,136,526**	8,004,100,836	8,125,314,280
Capital deficiency	**(3,911,207,127)**	(3,794,082,964)	(3,673,769,604)
Net income (loss)	**123,755,626**	(150,481,567)	(106,684,068)

15. **Adjustments to Equity**

The adjustments to equity were results of the following:

TKC's Acquisition of Billions. The acquisition of Billions in 2007 resulted in a goodwill of ₱11.8 million and an adjustment to equity of ₱8.1 million. The goodwill is presented in Note 11 as part of "Other noncurrent assets" account in the consolidated statements of financial position.

TKC's Additional Investment in Treasure. The increase in ownership in Treasure from 96% to 98% in 2011 resulted to an equity adjustment of ₱6.6 million to reflect a change in ownership of non-controlling interest.

TKC's Increase in Investment of ZZ Stronghold. The increase in ownership in ZZ Stronghold from 90% to 91% in 2013 resulted to an equity adjustment of ₱31.7 million to reflect a change in ownership of non-controlling interest.

16. **Costs of Goods Sold**

This account consists of:

	Note	**2020**	2019	2018
Direct materials	6	**₱426,900,370**	₱444,069,359	₱575,715,108
Manufacturing supplies		**19,870,103**	40,631,578	51,947,486
Depreciation and amortization	21	**17,977,784**	15,453,663	16,986,153
Salaries, wages and other employee benefits	20	**14,812,712**	13,982,181	16,183,313
Indirect labor		**12,794,027**	13,442,112	10,908,517
Utilities and rent		**23,213**	6,551,764	8,055,102
Others		**1,726,033**	6,427,623	7,594,401
		₱494,104,242	₱540,558,280	₱687,390,080

17. **Operating Expenses**

This account consists of:

	Note	2020	2019	2018
Salaries, wages and other employee benefits	20	**₱43,850,708**	₱39,809,851	₱48,131,797
Depreciation and amortization	21	**26,229,982**	20,343,761	27,971,274
Outside services		**14,521,188**	6,253,427	9,401,619
Taxes and licenses		**9,962,221**	12,707,801	17,073,666
Professional fees		**8,979,093**	7,977,789	4,278,854
Freight and handling		**8,242,941**	22,648,099	15,755,612
Representation		**4,305,424**	21,903,853	2,619,716
Utilities and rental		**3,530,033**	8,864,045	11,017,850
Repairs and maintenance		**1,635,332**	1,076,455	3,670,854
Travel and transportation		**1,396,642**	1,747,169	1,226,601
Office supplies		**535,596**	358,888	460,393
Insurance		**20,118**	10,333	7,381
Receivables write-off	5	**–**	13,782,633	11,866,475
Docking and wharfage fee		**–**	–	35,642,158
Others		**11,527,590**	8,031,604	5,433,938
		₱134,736,868	₱165,515,708	₱194,558,188

Others mainly include ZZ Stronghold’s registration, bank charges and postages.

18. **Provision for Impairment Loss**

This account consists of provision for impairment loss as follows:

	Note	2020	2019	2018
Trade and other receivables	5	**₱4,155,374**	₱11,331,856	₱–
Due from related parties	13	**1,250,860**	–	–
Advances to suppliers	7	**–**	25,924	–
		₱5,406,234	₱11,357,780	₱–

19. **Retirement Benefits**

As at December 31, 2020 and 2019, ZZ Stronghold maintains a state-managed social security contribution plan for the retirement benefits of its employees. The Parent Company and Treasure have an unfunded, noncontributory defined benefit retirement plan covering all its regular, full-time employees.

The latest actuarial valuation reports obtained by the Parent Company and Treasure were for the years ended December 31, 2020 and 2019, respectively, using the projected unit credit method.

The components of retirement expense recognized as part of “Salaries, wages and other employee benefits” under “Operating expenses” account in the consolidated statements of comprehensive income are as follows (see Note 20):

	2020	2019	2018
Current service cost	**₱753,774**	₱738,254	₱699,099
Interest cost	**245,914**	509,892	443,959
	₱999,688	₱1,248,146	₱1,143,058

Changes in the present value of retirement liability (PVRL) are as follows:

	2020	2019
Balance at beginning of year	**₱8,650,017**	₱8,906,670
Current service cost	**753,774**	738,254
Interest cost	**245,914**	509,892
Remeasurement loss (gain):		
Experience adjustments	**87,388**	(1,710,605)
Change in assumptions	**302,077**	205,806
Benefits paid	**(142,380)**	–
Balance at end of year	**₱9,896,790**	₱8,650,017

Movements in the retirement liability are as follows:

	2020	2019
Balance at beginning of year	**₱8,650,017**	₱8,906,670
Retirement expense	**999,688**	1,248,146
Remeasurement loss (gain) recognized in OCI	**389,465**	(1,504,799)
Benefits paid	**(142,380)**	–
Balance at end of year	**₱9,896,790**	₱8,650,017

Cumulative amount of remeasurement (losses) gains recognized in OCI are as follows:

	2020	2019	2018
Balance at beginning of year	**₱3,352,177**	₱2,298,818	₱2,298,818
Remeasurement gain (loss), net of deferred tax	**(272,625)**	1,053,359	–
Balance at end of year	**₱3,079,552**	₱3,352,177	₱2,298,818

The principal actuarial assumptions used to determine retirement benefit for 2020 and 2019 are as follows:

	2020		2019	
	Treasure	**TKC**	Treasure	TKC
Discount rate	**3.70%**	**2.47%**	4.95%	5.43%
Salary increase rate	**5.00%**	**2.00%**	5.00%	2.00%

Sensitivity analyses on defined benefit liability are as follows:

	Basis Points	**2020**	2019
Discount rate	+1.00%	**(₱261,522)**	(₱179,733)
	-1.00%	**306,289**	207,228
Salary increase rate	+1.00%	**345,043**	235,205
	-1.00%	**(309,013)**	(210,061)

The sensitivity analyses above have been determined based on the method that extrapolates the impact of retirement liability as a result of reasonable changes in key assumptions occurring at end of the reporting period.

As at December 31, 2020, maturity analysis of undiscounted benefit payments are as follows:

Plan Year	
Less than one year	₱8,021,250
More than one to five years	711,253
More than five to 10 years	1,073,407
More than 10 to 15 years	1,405,083
More than 15 to 20 years	2,022,282
More than 20 years	2,089,149
	₱15,322,424

As at December 31, 2020, the average duration of retirement liability at the end of the reporting period is 1.60 years and 8.98 years for the Parent Company and Treasure, respectively.

20. Salaries, Wages and Other Employee Benefits

This account consists of:

	Note	**2020**	2019	2018
Salaries and wages		**₱57,562,332**	₱52,418,819	₱63,100,052
Retirement benefits	19	**999,688**	1,248,146	1,143,058
Other employee benefits		**101,400**	125,067	72,000
		₱58,663,420	₱53,792,032	₱64,315,110

Salaries, wages and other employee benefits are classified as follows:

	Note	**2020**	2019	2018
Costs of goods sold	16	**₱14,812,712**	₱13,982,181	₱16,183,313
Operating expenses	17	**43,850,708**	39,809,851	48,131,797
		₱58,663,420	₱53,792,032	₱64,315,110

21. Depreciation and Amortization

Details of depreciation and amortization follows:

	Note	**2020**	2019	2018
Property, plant and equipment	8	**₱35,645,773**	₱29,449,154	₱39,132,419
Leasehold rights	9	**8,561,993**	6,348,270	6,786,792
		₱44,207,766	₱35,797,424	₱45,919,211

Depreciation and amortization are distributed as follows:

	Note	**2020**	2019	2018
Costs of goods sold	16	**₱17,977,784**	₱15,453,663	₱16,986,153
Operating expenses	17	**26,229,982**	20,343,761	27,971,274
Finished goods inventories		**–**	–	961,784
		₱44,207,766	₱35,797,424	₱45,919,211

22. Operating Lease Commitments

The Group leases its office space from a third party. The lease has a term of 60 months, which commenced in September 2014. The lease obligation is subject to an annual escalation of 5% beginning on the third year of the lease term.

The Group renewed its office space lease in September 2019. The new lease has a term of 36 months, which will end in September 2022. The lease obligation is subject to an annual escalation of 5%. ROU asset is recognized using the discount rate of 4.2% as at September 15, 2019. The adoption of PFRS 16 has no impact on the Group's retained earnings as at January 1, 2019.

Refundable deposits amounted to ₱2.9 million as at December 31, 2020 and 2019 (see Note 10).

Rental expense included in the "Utilities and rental" under "Operating expenses" account in 2019 pertains to short-term leases with remaining lease term of 12 months or less as at January 1, 2019 amounting to ₱1.1 million, ₱6.7 million and ₱5.8 million in 2019 and 2018, respectively (see Note 17).

The balances and movements in ROU asset as at December 31, 2020 and 2019 are as follows (see Note 8):

	2020	2019
Cost		
Balances at beginning of year	**₱24,291,567**	₱–
Initial recognition in accordance with PFRS 16	**–**	24,291,567
Balances at end of year	**24,291,567**	24,291,567
Accumulated Amortization		
Balances at beginning of year	**2,361,680**	–
Amortization	**8,097,189**	2,361,680
Balances at end of year	**10,458,869**	2,361,680
Carrying Amount	**₱13,832,698**	₱21,929,887

The balances and movements in lease liability as at and for the years ended December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Balance at beginning of year		**₱19,719,048**	₱–
Rental payments		**(8,207,073)**	(4,610,725)
Interest expense	12	**717,184**	38,206
Initial recognition during the period in accordance with PFRS 16		**–**	24,291,567
Balance at end of year		**₱12,229,159**	₱19,719,048

As at December 31, 2020 and 2019, lease liability is classified as follows:

	2020	2019
Current	**₱8,228,202**	₱7,489,889
Noncurrent	**4,000,957**	12,229,159
	₱12,229,159	₱19,719,048

23. Other Income

This account consists of:

	Note	2020	2019	2018
Reversal of receivables written-off	5	**₱5,343,303**	₱–	₱–
Gain on sale of raw materials		**3,294,764**	2,892,480	10,627,186
Foreign exchange gain (loss)		**(1,320,545)**	7,371,420	15,700,477
Interest income	4	**105,670**	357,163	199,040
Gain on sale of property, plant and equipment	8	**–**	–	40,324,694
Others		**–**	–	111,392
		₱7,423,192	₱10,621,063	₱66,962,789

24. Income Tax

The components of provision for (benefit from) income tax as reported in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Reported in Profit or Loss			
Current income tax - MCIT	**₱32,016**	₱57,981	₱1,018,105
Deferred tax	**(182,190)**	1,608,360	865
	(₱150,174)	₱1,666,341	₱1,018,970
Reported in OCI			
Deferred tax on remeasurement gain on retirement liability	**₱116,840**	₱314,680	₱–

The Parent Company is subject to income taxes under the Philippine tax laws.

Treasure is registered with the Board of Investments (BOI) for its Modernization of Steel Billets Production Plant and for being a New Producer of Pig Iron and Beneficiated Iron Ore on September 14, 2007 and May 12, 2008, respectively. As a registered enterprise, Treasure is entitled to certain tax incentives such as VAT zero-rating of goods, properties, and services sold by VAT-registered suppliers to Treasure.

No tax benefit was claimed by Treasure from these incentives in 2020, 2019 and 2018 because there were no revenue derived from the registered activities.

In 2020, 2019 and 2018, Billions had no Enterprise Income Tax because it has no taxable income in those years.

Under the PRC's Law on Enterprise Income Tax enacted on March 16, 2007, ZZ Stronghold is subject to a tax rate of 25% beginning January 1, 2008. In 2020, 2019 and 2018, ZZ Stronghold is in a net taxable loss position.

Campanilla has no current income tax in 2020, 2019 and 2018 due to its taxable loss position.

The Group did not recognize the following deferred tax assets of the Parent Company, Treasure and Campanilla as at December 31, 2020 and 2019 because Management has assessed that the Group may not have sufficient future taxable profit against which the deferred tax assets can be utilized.

	2020	2019
Allowance for impairment loss on property, plant and equipment	**₱198,268,519**	₱198,268,519
NOLCO	**79,115,548**	79,885,728
Allowance for inventory write-down	**41,393,876**	42,911,610
Allowance for impairment losses on advances to contractors and suppliers	**14,067,526**	14,067,526
Retirement liability	**4,281,644**	4,024,452
Allowance for ECL of trade receivables	**4,677,612**	3,399,557
Excess of MCIT over RCIT	**1,108,102**	1,679,879
Allowance for impairment of input VAT	**37,745**	35,827
	₱342,950,572	₱344,273,098

As at December 31, 2020 and 2019, Billions and ZZ Stronghold have no taxable and deductible temporary differences arising from its operations.

The Group's deferred tax liabilities pertain to the following:

	2020	2019
Capitalized borrowing cost	**₱15,195,950**	₱15,195,950
Remeasurement gain on retirement benefits liability	**1,312,607**	1,429,447
ROU asset net of lease liability	**481,062**	663,251
	₱16,989,619	₱17,288,648

As at December 31, 2020, details of the Parent Company, Treasure and Campanilla's NOLCO are as follows:

Parent Company

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2020	₱–	₱37,620,172	₱–	₱37,620,172	2025
2019	41,560,974	–	–	41,560,974	2022
2018	35,135,781	–	–	35,135,781	2021
2017	32,427,822	–	32,427,822	–	2020
	₱109,124,577	₱37,620,172	₱32,427,822	₱114,316,927	

Treasure

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2020	₱–	₱49,336,127	₱–	₱49,336,127	2025
2019	57,147,264	–	–	57,147,264	2022
2018	41,161,269	–	–	41,161,269	2021
2017	56,811,135	–	56,811,135	–	2020
	₱155,119,668	₱49,336,127	₱56,811,135	₱147,644,660	

Campanilla

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2020	₱–	₱171,348	₱–	₱171,348	2025
2019	215,363	–	–	215,363	2024
2018	714,166	–	–	714,166	2023
2017	608,936	–	–	608,936	2022
2016	47,095	–	–	47,095	2021
2015	455,957	–	455,957	–	2020
	₱2,041,517	₱171,348	₱455,957	₱1,756,908	

Section 34 (D) (3) of the Tax Code grants mining companies other than oil and gas wells to carry over net operating loss incurred in any of the first ten years of operation as a deduction from taxable income for the next five years immediately following the year of loss.

On September 30, 2020, the BIR issued RR No. 25-2020 to implement Section 4 of Republic Act No. 11494 (Bayanihan to Recover as One Act), allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, details of the Parent Company and Treasure's MCIT follows:

Parent Company

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2019	₱61	₱–	₱–	₱61	2022
2017	155,748	–	155,748	–	2020
	₱155,809	₱–	₱155,748	₱61	

Treasure

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2020	₱–	₱32,016	₱–	₱32,016	2023
2019	57,920	–	–	57,920	2022
2018	1,018,105	–	–	1,018,105	2021
2017	448,045	–	448,045	–	2020
	₱1,524,070	₱32,016	₱448,045	₱1,108,041	

The reconciliation between the income tax benefit (expense) based on statutory tax rate and effective tax rate on loss before income tax follows:

	2020	2019	2018
At statutory tax rate	**30.00%**	30.00%	30.00%
Change in unrecognized deferred tax assets	**(7.93)**	(5.76)	(0.24)
Tax effects of:			
Nondeductible expense	**(19.14)**	(14.16)	(13.51)
Expired NOLCO and MCIT	**(3.69)**	(9.07)	(17.18)
Interest income subjected to final tax	**0.01**	0.01	0.01
At effective tax rate	**0.75%**	1.02%	(0.92%)

The Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act

On March 26, 2021, the CREATE was approved and signed into law by the President of the Philippines. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The Philippine income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are still 30% and 2% for RCIT and MCIT, respectively. However, the passage of the law is considered a non-adjusting event for financial reporting.

The table below summarizes the financial impact of the change in income tax rate to the Group's financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Deferred tax liabilities	₱16,989,619	₱14,158,017	₱2,831,602
Cumulative remeasurement gain on retirement liability	3,079,552	3,299,520	(219,968)
Deficit	(4,630,822,994)	(4,628,211,360)	(2,611,634)
Provision for (benefit from) income tax (Profit and loss)	(150,174)	(2,761,808)	2,611,634
Provision for (benefit from) income tax (Other comprehensive income)	116,840	(103,128)	219,968
Net loss	(170,025,941)	(167,414,307)	(2,611,634)

25. Contingencies

The Group is either a defendant or plaintiff in several litigations, claims, and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operation of the Group.

26. Basic and Diluted Loss Per Share

Basic loss per share is computed as follows:

	2020	2019	2018
Net loss attributable to equity holders of the Parent Company (a)	**₱162,097,673**	₱201,609,390	₱136,607,618
Weighted average number of shares outstanding (b)	**940,000,000**	940,000,000	940,000,000
Loss per share (a/b)	**₱0.17**	₱0.21	₱0.15

As at December 31, 2020, 2019 and 2018, the Group has no potential dilutive common shares.

27. Segment Information

For management purposes, the Group is organized into three operating segments located in the Philippines and China. Management monitors the operating results of its operating segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating results in the consolidated financial statements.

The Group's reportable segments follows:

Parent Company - a holding company located in the Philippines.

Treasure - engaged in the manufacturing of billets. The plant facility is located in Iligan City, Lanao del Norte, Philippines. As disclosed in Note 1, Treasure has suspended its operations since 2013.

ZZ Stronghold - engaged in the manufacturing and distribution of steel pipes products sold in China and other export markets. The plant facility is located in Xiamen, China.

Included in the revenues generated by the Group are revenues amounting to ₱566.8 million arising from sales disaggregated by geographical region.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The following table presents the financial information in respect of the Group's operating segments:

	2020			
	Philippines		**China**	
	TKC	**Treasure**	**ZZ Stronghold**	**Total**
Results of operations:				
Net revenues	**₱–**	**₱–**	**₱512,050,821**	**₱512,050,821**
Cost of goods sold	**–**	**–**	**494,104,242**	**494,104,242**
Gross income	**–**	**–**	**17,946,579**	**17,946,579**
Operating expenses	**(28,293,866)**	**(34,591,198)**	**(72,905,167)**	**(135,790,231)**
ECL and impairment	**(59,039,008)**	**–**	**–**	**(59,039,008)**
Interest expense	**(12,509,884)**	**(13,606,077)**	**(29,286,823)**	**(55,402,784)**
Interest income	**24,610**	**4,985**	**76,024**	**105,619**
Other income (charges)	**(11,309,580)**	**1,600,800**	**7,037,267**	**(2,671,513)**
Loss before income tax	**(111,127,728)**	**(46,591,490)**	**(77,132,120)**	**(234,851,338)**
Income tax benefit (expense)	**5,240,923**	**(32,016)**	**–**	**5,208,907**
Segment net loss	**(₱105,886,805)**	**(₱46,623,506)**	**(₱77,132,120)**	**(229,642,431)**
Segment assets	**₱3,141,552,883**	**₱2,151,028,488**	**₱2,089,900,911**	**₱7,382,482,282**
Segment liabilities	**₱1,084,612,404**	**₱4,840,867,659**	**₱3,311,268,867**	**₱9,236,748,930**
Capital expenditures	**₱–**	**₱–**	**₱–**	**₱–**
Depreciation and amortization	**₱8,314,484**	**₱15,782,176**	**₱20,111,106**	**₱44,207,766**

	2019			
	Philippines		China	
	TKC	Treasure	ZZ Stronghold	Total
Results of operations:				
Net revenues	₱–	₱–	₱566,764,589	₱566,764,589
Cost of goods sold	–	–	540,558,280	540,558,280
Gross income	–	–	26,206,309	26,206,309
Operating expenses	(29,014,185)	(56,830,554)	(90,693,907)	(176,538,646)
Interest expense	(22,518,158)	(17,798,481)	(28,145,050)	(68,461,689)
Interest income	2,980	1,280	352,849	357,109
Other income (charges)	(6,575,107)	2,892,480	14,355,439	10,672,812
Loss before income tax	(58,104,470)	(71,735,275)	(77,924,360)	(207,764,105)
Income tax benefit (expense)	2,798,257	(821,932)	–	1,976,325
Segment net loss	(₱55,306,213)	(₱72,557,207)	(₱77,924,360)	(₱205,787,780)
Segment assets	₱3,200,295,953	₱2,170,008,555	₱2,040,009,317	₱7,410,313,825
Segment liabilities	₱1,037,468,669	₱4,812,951,595	₱3,191,149,241	₱9,041,569,505
Capital expenditures	₱–	₱–	₱–	₱–
Depreciation and amortization	₱2,361,680	₱15,781,404	₱20,464,933	₱38,608,017

	2018			
	Philippines		China	
	TKC	Treasure	ZZ Stronghold	Total
Results of operations:				
Net revenues	₱–	₱–	₱736,032,007	₱736,032,007
Cost of goods sold	–	–	687,390,080	687,390,080
Gross income	–	–	48,641,927	48,641,927
Impairment loss	(1,500,000,000)	–	–	(1,500,000,000)
Operating expenses	(20,023,149)	(77,382,266)	(96,438,607)	(193,844,022)
Interest expense	(15,830,794)	(15,798,765)	(31,645,050)	(63,274,609)
Interest income	2,023	24,214	172,768	199,005
Other income	21,795,232	50,908,123	15,852,558	88,555,913
Loss before income tax	(1,514,056,688)	(42,248,694)	(63,416,404)	(1,619,721,786)
Income tax expense	(4,910,153)	(1,018,970)	–	(5,929,123)
Segment net loss	(₱1,518,966,841)	(₱43,267,664)	(₱63,416,404)	(₱1,625,650,909)
Segment assets	₱3,200,188,323	₱2,192,652,649	₱2,258,892,027	₱7,651,732,999
Segment liabilities	₱982,948,633	₱4,763,198,034	₱3,362,116,246	₱9,108,262,913
Capital expenditures	₱–	₱50,299	₱1,954,347	₱2,004,646
Depreciation and amortization	₱28,029	₱15,779,729	₱25,164,661	₱40,972,419

The following are the reconciliations of the segment information to reported amounts in the consolidated statements of financial position and consolidated statements of comprehensive income:

Reconciliation of Assets

	2020	2019
Assets of all reportable segments	**₱7,382,482,282**	₱7,410,313,825
Intercompany eliminations	**(2,996,481,015)**	(3,048,985,927)
Assets of nonreportable segment	**22,968**	22,917
Group assets	**₱4,386,024,235**	₱4,361,350,815

Reconciliation of Liabilities

	2020	2019
Liabilities of all reportable segments	**₱9,236,748,930**	₱9,041,569,505
Intercompany eliminations	**(4,913,905,712)**	(4,906,614,445)
Liabilities of nonreportable segment	**3,629,625**	3,449,885
Group liabilities	**₱4,326,472,843**	₱4,138,404,945

Reconciliation of Loss

	2020	2019	2018
Net loss of all reportable segments	**₱229,642,431**	₱205,787,780	₱1,625,801,557
Intercompany eliminations	**(59,796,179)**	4,051,633	(1,483,117,989)
Net loss of nonreportable segment	**179,689**	334,733	714,131
Group net loss	**₱170,025,941**	₱210,174,146	₱143,397,699

The following information relate to geographical segments:

Revenues from External Customers

	2020	2019	2018
China	**₱512,050,821**	₱566,764,589	₱736,032,007
Philippines	**–**	–	–
	₱512,050,821	₱566,764,589	₱736,032,007

The revenues are based on revenues generated from the respective operations in the Philippines and China. Revenues are derived mainly from sale of steel products to external customers.

Noncurrent Assets

	2020	2019
Philippines:		
Property, plant and equipment	**₱1,672,092,475**	₱1,692,707,863
Leasehold rights	**16,866,667**	18,706,667
Input VAT	**223,024,447**	222,073,082
Others	**18,979,769**	18,979,769
	1,930,963,358	1,952,467,381

(Forward)

	2020	2019
China:		
Property, plant and equipment	**₱1,596,840,395**	₱1,585,106,651
Leasehold rights	**180,195,997**	184,484,478
	1,777,036,392	1,769,591,129
	₱3,707,999,750	₱3,722,058,510

The financial information presented above is consistent with the Group's consolidated financial statements.

28. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), refundable deposits, due from/to related parties, trade and other payables (excluding statutory liabilities), lease liability and loans payable.

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's BOD focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described as follows.

Market Risks

The Group is exposed to market risks, primarily those related to foreign currency and interest rate risks. Management actively monitors these exposures, as follows:

Foreign Currency Risk. Foreign currency risk arises as a result of change in exchange rates between the Philippine Peso and foreign currencies. Any change will affect the Group's foreign currency-denominated accounts and transactions.

Currently, the Group's foreign currency exposure covers operations in PRC. Any fluctuation in the exchange rate between the PHP and the RMB will impact the amount of its investment and related accounts.

The Group regularly monitors foreign exchange rates, and any trends and changes. Measures are adopted to protect its investment in the event there would be significant fluctuations in the exchange rate.

The Group's financial monetary assets denominated in US dollar (USD) include cash in banks which comprised only 0.04% and 0.11% of the total financial monetary assets as at December 31, 2020 and 2019, respectively. Accordingly, exposure of the Group to USD foreign currency risk is minimal.

The following table shows the Group's RMB-denominated monetary financial assets and liabilities and their Philippine Peso equivalent:

	2020	
	PHP	**RMB**
Financial Assets at Amortized Cost:		
Cash and cash equivalents	**81,568,568**	**11,102,498**
Trade and other receivables	**89,284,434**	**12,152,717**
Total Financial Assets	**170,853,002**	**23,255,215**
Financial Liabilities at Amortized Cost:		
Trade and other payables	**370,071,674**	**50,408,634**
Loans payable	**616,402,059**	**83,900,000**
Total Financial Liabilities	**986,473,733**	**134,308,634**
Net Financial Liabilities	**(815,620,731)**	**(111,053,419)**

	2019	
	PHP	RMB
Financial Assets at Amortized Cost:		
Cash and cash equivalents	16,959,685	2,338,875
Trade and other receivables	66,596,468	9,184,172
Total Financial Assets	83,556,153	11,523,047
Financial Liabilities at Amortized Cost:		
Trade and other payables	410,252,614	56,493,101
Loans payable	456,101,493	62,900,000
Total Financial Liabilities	866,354,107	119,393,101
Net Financial Liabilities	(782,797,954)	(107,870,054)

For purposes of restating the outstanding balances of the Group's foreign currency-denominated financial assets and liabilities as at December 31, 2020 and 2019, the exchange rate applied were ₱7.35 and ₱7.25 per RMB, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax for the years ended December 31, 2020 and 2019 (due to changes in the fair value of financial assets). There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Loss before Income Tax
December 31, 2020	**+2.26%**	**(₱18,433,029)**
	-2.26%	**18,433,029**
December 31, 2019	+1.27%	(9,941,534)
	-1.27%	9,941,534

Interest Rate Risk. The Group's exposure to interest rate risk arises from unfavorable changes in interest rates related primarily to outstanding debt obligations. As at December 31, 2020 and 2019, there are no floating rate financial assets and financial liabilities. Thus, the Group has minimal exposure to interest rate risk since its financial assets and financial liabilities have fixed interest rates and are usually short-term.

The Group does not have any repricing financial assets and financial liabilities as at December 31, 2020 and 2019.

Credit Risk

The Group's exposure to credit risk relates to the Group's cash and cash equivalents (excluding cash on hand), trade and other receivables (excluding advances to officers and employees), due from related parties and refundable deposits.

An impairment analysis on trade and other receivables (excluding advances to officers and employees) is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due and historical loss rates, which are then adjusted for forward looking estimates through the use of macroeconomic information.

The ECL was measured on a collective basis through disaggregation of receivables by type of debtors with similar default risks and loss patterns.

The carrying amount of financial assets at amortized cost recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk.

The tables below show the credit risk concentrations of the Group's financial assets at amortized cost as at December 31, 2020 and 2019. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets.

	December 31, 2020					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Credit Impaired**	**Total**
Lifetime ECL -						
Trade and other receivables**	**₱–**	**₱–**	**₱–**	**₱89,827,488**	**₱11,331,856**	**₱101,159,344**
12-month ECL:						
Cash and cash equivalents*	**85,979,331**	**–**	**–**	**–**	**–**	**85,979,331**
Trade receivables from related parties	**–**	**–**	**–**	**43,639,292**	**4,155,374**	**47,794,666**
Due from related parties	**–**	**43,845,477**	**–**	**–**	**1,250,860**	**45,096,337**
Refundable deposits	**–**	**2,926,363**	**–**	**–**	**–**	**2,926,363**
	₱85,979,331	**₱46,771,840**	**₱–**	**₱133,466,780**	**₱16,738,090**	**₱282,956,041**

**Excluding cash on hand.*
***Excluding trade receivables from related parties and advances to officers and employees.*

	December 31, 2019					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Credit Impaired	Total
Lifetime ECL -						
Trade and other receivables**	₱–	₱–	₱–	₱67,303,348	₱11,331,856	₱78,635,204
12-month ECL:						
Cash and cash equivalents*	21,092,800	–	–	–	–	21,092,800
Trade receivables from related parties	–	–	–	47,794,666	–	47,794,666
Due from related parties	–	39,976,535	–	–	–	39,976,535
Refundable deposits	–	2,926,363	–	–	–	2,926,363
	₱21,092,800	₱42,902,898	₱–	₱115,098,014	₱11,331,856	₱190,425,568

**Excluding cash on hand.*
***Excluding trade receivables from related parties and advances to officers and employees.*

The table below shows the aging of financial assets that are past due but not impaired as at December 31, 2020 and 2019.

	2020				
	Days Past Due				
	1 to 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 91 Days**	**Total**
Trade and other receivables*	**₱–**	**₱–**	**₱–**	**₱133,466,780**	**₱133,466,780**

**Excluding advances to officers and employees.*

	2019				
	Days Past Due				
	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 91 Days	Total
Trade and other receivables*	₱–	₱–	₱–	₱115,098,014	₱115,098,014

**Excluding advances to officers and employees.*

The Group's financial assets are categorized by credit risk rating grades based on the Group's collection experience with the counterparties as follows:

- High Grade - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- Standard Grade - other financial assets not belonging to high grade financial assets and are not past due are included in this category.
- Past Due - with history of frequent default nevertheless the amount due are still collectible.
- Credit impaired - long outstanding or those that have been provided with an allowance for impairment

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and financial liabilities. The Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread in refinancing maturities.

The table below shows the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments:

	2020					
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Total**
Financial Liabilities at Amortized Cost:						
Trade and other payables*	**₱953,171,748**	**₱–**	**₱–**	**₱–**	**₱–**	**₱953,171,748**
Loans payable**	**–**	**–**	**169,688,735**	**931,055,872**	**–**	**1,100,744,607**
Lease liability***	**–**	**–**	**2,123,100**	**2,123,100**	**8,433,425**	**12,679,625**
Due to related parties	**2,323,263,262**	**–**	**–**	**–**	**–**	**2,323,263,262**
	₱3,276,435,010	**₱–**	**₱171,811,835**	**₱933,178,972**	**₱8,433,425**	**₱4,389,859,242**

**Excluding nonfinancial liabilities.*
***Includes future interest payments.*
****Include nominal interest*

	2019					
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Total
Financial Liabilities at Amortized Cost:						
Trade and other payables*	₱985,465,961	₱–	₱–	₱–	₱–	₱985,465,961
Loans payable**	–	–	5,921,869	842,758,117	–	848,679,986
Lease liability***	–	–	–	4,044,000	16,842,698	20,886,698
Due to related parties	2,255,450,194	–	–	–	–	2,255,450,194
	₱3,240,916,155	₱–	₱5,921,869	₱846,802,117	₱16,842,698	₱4,110,482,839

**Excluding nonfinancial liabilities.*
***Includes future interest payments.*
****Include nominal interest.*

29. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's financial assets and liabilities at amortized cost:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Asset for which fair value is disclosed -				
Refundable deposits	**₱2,926,363**	**₱2,857,252**	₱2,926,363	₱2,690,132
Liability for which fair value is disclosed -				
Loans payable - net of current portion	**₱94,774,572**	**₱102,899,863**	₱–	₱–

Refundable Deposits. The fair value of refundable deposit using level 2 was determined as the sum of all future cash flows, discounted using the prevailing market rates of interest for instruments with similar maturities. The discount rates used are 4.2% and 4.2% as at December 31, 2020 and 2019, respectively.

Loans Payable - Net of Current Portion. The fair values of interest-bearing fixed-rate loans are estimated as the present value of all future cash flows discounted using applicable rates of similar type of loans as at reporting date. The discount rates used ranged from 1.12% to 2.08% in 2020. The fair valuation is classified in Level 2 of the fair value hierarchy.

The carrying amounts of the following financial assets and liabilities of the Group approximate their fair values as at December 31, 2020 and 2019 due to the short-term nature of these transactions:

	2020	2019
Financial Assets at Amortized Cost		
Cash and cash equivalents	**₱86,194,844**	₱21,247,687
Trade and other receivables*	**133,466,780**	115,098,014
Due from related parties	**43,845,477**	39,976,535
	₱263,507,101	₱176,322,236

	2020	2019
Financial Liabilities at Amortized Cost		
Trade and other payables**	**₱953,171,748**	₱985,465,961
Current portion of loans payable	**890,518,505**	824,992,511
Lease liability	**12,229,159**	19,719,048
Due to related parties	**2,323,263,262**	2,255,450,194
	₱4,179,182,674	₱4,085,627,714

**Excluding nonfinancial receivables.*
***Excluding nonfinancial liabilities.*

Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Trade and Other Payables, Loans Payable, and Due to Related Parties. Due to the short-term nature of transactions, the fair values of these financial assets and liabilities approximate their carrying amounts at the reporting date.

Lease Liability. The carrying amount of lease liability approximate its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease which is not significantly different from the discounted value of lease rentals as at year-end.

There are no significant transfers between levels in the fair value hierarchy.

30. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, when there are changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust its borrowings or raise capital. No changes were made in the objectives, policies or processes in 2020 and 2019.

The Group is committed to maintain adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions and take advantage of business opportunities.

The Group regularly monitors its capital position and assesses business conditions to ensure early detection and determination of risks, and its consequent adverse impact. The Group adopts measures, as is deemed necessary and appropriate, to mitigate risks.

The Group will access the capital market when it is considered necessary. As the Group sustains its business, it will retain sufficient flexibility to raise capital to support new business opportunities and will be prudent in its capital management.

The Group considers the following as capital employed:

	2020	2019
Capital stock	**₱940,000,000**	₱940,000,000
Additional paid-in capital	**1,983,047,906**	1,983,047,906
Deposits for future subscription	**1,500,000,000**	1,500,000,000
	₱4,423,047,906	₱4,423,047,906

INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
TKC Metals Corporation
Unit B1-A/C, 2nd Floor
Building B, Karrivin Plaza
2316 Chino Roces Avenue Extension
Makati City

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of TKC Metals Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, and have issued our report dated June 12, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019, and 2018 and no material exceptions were noted.

REYES TACANDONG & CO.

Arthur Vinson Ong

ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1752-A
Valid until May 6, 2022
BIR Accreditation No. 08-005144-015-2020
Valid until July 1, 2023
PTR No. 8534286
Issued January 5, 2021, Makati City

June 12, 2021
Makati City, Metro Manila

TKC METALS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2020, 2019 AND 2018

Below is a schedule showing financial soundness indicators of the Group for the years 2020, 2019 and 2018.

	2020	2019	2018
CURRENT/LIQUIDITY RATIO			
Current assets	**₱678,024,485**	₱639,292,305	₱760,466,231
Current liabilities	**4,200,810,905**	4,100,237,121	4,161,840,392
Current Ratio	**0.16:1**	0.16:1	0.18:1
SOLVENCY RATIO			
Net loss before depreciation and amortization	**(₱125,818,175)**	(₱174,376,722)	(₱97,478,488)
Total liabilities	**4,326,472,843**	4,138,404,945	4,185,975,910
Solvency Ratio	**(0.03):1**	(0.04):1	(0.02):1
DEBT-TO-EQUITY RATIO			
Total liabilities	**₱4,326,472,843**	₱4,138,404,945	₱4,185,975,910
Total equity	**59,551,392**	222,945,870	401,907,354
Debt-to-Equity Ratio	**72.65:1**	18.56:1	10.42:1
ASSET-TO-EQUITY RATIO			
Total assets	**₱4,386,024,235**	₱4,361,350,815	₱4,587,883,264
Total equity	**59,551,392**	222,945,870	401,907,354
Asset-to-Equity Ratio	**73.65:1**	19.56:1	11.42:1
INTEREST-COVERAGE RATIO			
Loss before interest and taxes	**(₱114,773,331)**	(₱140,046,116)	(₱78,953,472)
Interest expense	**55,402,784**	68,461,689	63,425,257
Interest-Coverage Ratio	**(2.07):1**	(2.05):1	(1.24):1
PROFITABILITY RATIO			
Net loss	**(₱170,025,941)**	(₱210,174,146)	(₱143,397,699)
Average equity	**141,248,631**	312,426,612	(248,407,880)
Return on Equity	**(1.20):1**	(0.67):1	0.58:1

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
TKC Metals Corporation
Unit B1-A/C, 2nd Floor
Building B, Karrivin Plaza
2316 Chino Roces Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of TKC Metals Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 and have issued our report thereon dated June 12, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission are the responsibility of the Group's management. These supplementary schedules include the following:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2020
- Schedules Required by Annex 68-E of Revised Securities Regulation Code Rule 68, as at December 31, 2020
- Map of Conglomerate as at December 31, 2020

The supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Arthur Vinson Ong
ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782; Valid until August 15, 2021
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Issued January 5, 2021, Makati City

June 12, 2021
Makati City, Metro Manila

TKC METALS CORPORATION

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020

Unappropriated retained earnings (deficit), beginning	(₱2,261,611,276)
Adjustments:	
Accretion of interest on long-term loan receivable	(5,564,044)
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)	12,137,665
Unappropriated retained earnings (deficit), as adjusted, beginning	(2,255,037,655)
Net loss based on the face of separate audited financial statements	(105,886,805)
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	16,775,488
Accretion of interest on long-term loan receivable	(5,554,350)
Net loss actually earned/realized during the year	(94,665,667)
Unappropriated retained earnings (deficit), as adjusted, ending	(₱2,349,703,322)

RECONCILIATION

Retained earnings (deficit) at end of year as shown in the separate financial statements	(₱2,367,498,081)
Adjustments for deferred tax	17,794,759
Unappropriated retained earnings (deficit) available for dividend declaration, as at end of year	(₱2,349,703,322)

TKC METALS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of REVISED SRC RULE 68
DECEMBER 31, 2020

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**The Group's equity investment designated at fair value through other comprehensive income does not exceed five percent (5%) of the total current assets. There are no financial assets measured at fair value through profit or loss, fair value though other comprehensive income and held-to-maturity investments.*

***There are no amounts to whom the aggregate indebtedness is ₱100,000 or 1% of total assets. In addition, the advances were made to the employees to carry out the ordinary course of business.*

****Indebtedness to related parties are classified as current.*

**** *Total indebtedness to related parties does not exceed five percent (5%) of total assets.*

***** *No guarantees of securities of other issuers.*

TKC METALS CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

			Deductions			*Ending Balance*		
Name and designation of debtor	***Balance at beginnning of year***	***Additions***	***Amounts collected***	***Amounts written off***	***Other changes Additions (Deductions)***	***Current***	***Not current***	***Balance at end of year***
Amounts Due from Related Parties:								
Treasure Steelworks Corporation – Subsidiary								
Trade receivables	₱2,176,670	₱–	₱–	₱–	₱–	₱2,176,670	₱–	₱2,176,670
Due from related parties	2,504,981,244	4,046,981	–	–	–	2,509,028,225	–	2,509,028,225
Billions Steel International Limited – Subsidiary								
Due from related parties (including long-term loan receivable)	307,761,458	–	–	–	(2,531,400)*	172,402,138	132,827,920	305,230,058
Campanilla Mineral Resources, Inc. – Subsidiary								
Due from related parties	1,890,529	106,650	–	–	–	1,997,179	–	1,997,179
	₱2,816,809,901	₱4,153,631	₱–	₱–	(₱2,531,400)	₱2,685,604,212	₱132,827,920	₱2,818,432,132

*Pertains to net effect of unearned interest income and unrealized loss arising from loan restructuring.

TKC METALS CORPORATION AND SUBSIDIARIES

SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS

DECEMBER 31, 2020

			Deduction			
Description	***Beginning balance***	***Additions at cost***	***Charged to cost and expenses***	***Charged to other accounts***	***Other changes***	***Ending balance***
Leasehold Rights	₱203,191,145	₱–	(₱8,561,993)	₱–	₱2,433,512*	₱197,062,664

*Pertains to exchange realignment arising from the translation of leasehold rights in Renminbi to Philippine peso.

TKC METALS CORPORATION AND SUBSIDIARIES

SCHEDULE H – CAPITAL STOCK

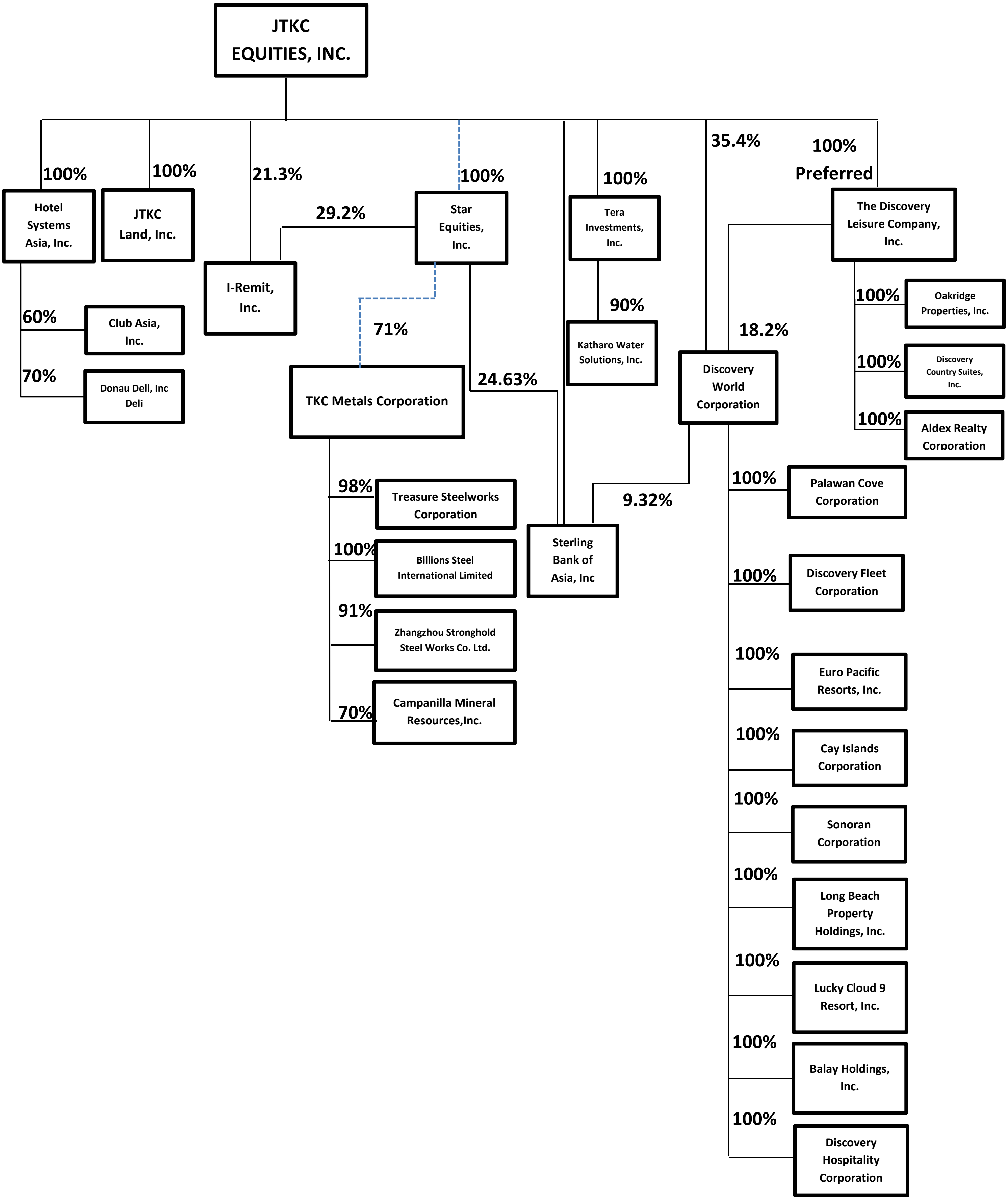
DECEMBER 31, 2020

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statement of financial position caption*	*Number of shares reserved for options,warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common stock - ₱1 par value	1,000,000,000	940,000,000	–	667,000,607	11	272,999,382

TKC METALS CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2020



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

SEC Registration Number

A 1 9 9 6 – 1 0 6 2 0

COMPANY NAME

TKC METALS CORPORATION

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

Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
earealeza@yahoo.com	**8864-0734/8840-4335**	**0928-524-7168**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
42	**Last Friday of July**	**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
Efren A. Realeza Jr.	**earealeza@yahoo.com**	**8864-0734/8840-4335**	**0928-524-7168**

CONTACT PERSON'S ADDRESS

2nd Floor W Tower Condominium 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig

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

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

TKC METALS
Strength in vision

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The Management of TKC Metals Corporation (the Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the separate 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.

Signature: ____________________
BEN C. TIU
Chairman of the Board

Signature: ____________________
DOMINGO S. BENITEZ JR.
President

Signature: ____________________
EFREN A. REALEZA JR.
Chief Financial Officer

Signed this ___ day of _____ 2021

SUBSCRIBED AND SWORN TO BEFORE ME THIS 24 MAY 2021, 20___ IN THE CITY OF MAKATI, AFFIANT EXHIBITING TO ME HIS/HER VALID ID WITH NUMBERS __________ ISSUED ON __________, ISSUED AT __________

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City
MCLE Compliance No. VI-0007878/04-06-2018

2nd Floor Unit 201, W Tower Condominium,
39th St., Bonifacio Global City
Taguig City, Philippines 1634
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Fax No.: (02) 893-3702

DOC. NO. 396;
PAGE NO. 79;
BOOK NO. 167;
SERIES OF 2021

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
TKC Metals Corporation
Unit B1-A/C, 2nd Floor
Building B, Karrivin Plaza
2316 Chino Roces Avenue Extension
Makati City

Opinion

We have audited the accompanying separate financial statements of TKC Metals Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended December 31, 2020, 2019 and 2018, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

The Company's main steel manufacturing subsidiaries, Treasure Steelworks Corporation (Treasure) and ZhangZhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold) located in Iligan City, Philippines and Xiamen, China, respectively, incurred continuing losses for the years ended December 31, 2020, 2019 and 2018, and had to suspend their plant construction projects. Treasure has ceased operations since 2013. Investment in these subsidiaries, net of allowance for impairment, aggregated ₱1,741.8 and ₱1,744.3 million as at December 31, 2020 and 2019, respectively.

These events or conditions, along with other matters discussed in Note 1, indicate a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

The Company's related parties, however, have continued to provide the necessary financial support to sustain operations and to meet the Company's maturing obligations. As at December 31, 2020, due to related parties aggregated ₱857.4 million.

The Company has been actively negotiating with prospective investors for potential business ventures, and for financing the diversification and resumption of Treasure's operations in Iligan City together with the completion of the Subsidiaries' plant construction projects. The management plans for Treasure and ZZ Stronghold are disclosed in Note 1.

Accordingly, the Company continues to prepare its accompanying separate financial statements using the going concern basis of accounting. Our opinion is not modified with respect to this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

REYES TACANDONG & CO.

Arthur Vinson Ong
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Partner
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BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1752-A
Valid until May 6, 2022
BIR Accreditation No. 08-005144-015-2020
Valid until July 1, 2023
PTR No. 8534286
Issued January 5, 2021, Makati City

June 12, 2021
Makati City, Metro Manila

TKC METALS CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2020	2019
ASSETS			
Current Assets			
Cash	4	**₱4,099,853**	₱3,847,176
Trade and other receivables	5	**46,402,153**	50,510,368
Due from related parties	13	**1,174,041,248**	1,218,227,325
Inventories	6	**431,976**	431,976
Other current assets	7	**10,261,497**	11,019,912
Total Current Assets		**1,235,236,727**	1,284,036,757
Noncurrent Assets			
Investment in subsidiaries	8	**1,741,825,926**	1,744,325,926
Long-term loan receivable	9	**132,827,920**	134,673,003
Property and equipment	10	**15,245,113**	21,929,887
Input value-added tax (VAT)		**14,187,939**	13,101,122
Refundable deposits	21	**2,229,258**	2,229,258
Total Noncurrent Assets		**1,906,316,156**	1,916,259,196
		₱3,141,552,883	₱3,200,296,953
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱38,806,744**	₱37,332,164
Loans payable	12	**168,998,657**	168,998,657
Current portion of lease liability	21	**8,228,202**	7,489,889
Due to related parties	13	**857,401,356**	799,326,963
Total Current Liabilities		**1,073,434,959**	1,013,147,673
Noncurrent Liabilities			
Retirement liability	14	**3,119,952**	2,794,378
Deferred tax liabilities	20	**4,056,536**	9,297,459
Lease liability - net of current portion	21	**4,000,957**	12,229,159
Total Noncurrent Liabilities		**11,177,445**	24,320,996
Total Liabilities		**1,084,612,404**	1,037,468,669
Equity			
Capital stock	15	**940,000,000**	940,000,000
Deposits for future subscription	15	**1,500,000,000**	1,500,000,000
Additional paid-in capital		**1,983,047,906**	1,983,047,906
Cumulative remeasurement gains on retirement liability	14	**1,390,654**	1,390,654
Deficit		**(2,367,498,081)**	(2,261,611,276)
Total Equity		**2,056,940,479**	2,162,827,284
		₱3,141,552,883	₱3,200,295,953

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2020**	2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES	16	**(₱28,293,866)**	(₱17,656,405)	(₱20,023,149)
INTEREST EXPENSE	12	**(12,509,884)**	(22,518,158)	(15,830,794)
NET UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)	17	**(16,863,930)**	(12,139,151)	16,367,174
PROVISION FOR ECL ON DUE FROM RELATED PARTIES	13	**(52,278,824)**	–	(1,500,000,000)
PROVISION FOR ECL ON TRADE RECEIVABLES	5	**(4,260,184)**	(11,331,856)	–
PROVISION FOR IMPAIRMENT ON INVESTMENT IN SUBSIDIARIES	8	**(2,500,000)**	–	–
OTHER INCOME - Net	18	**5,578,960**	5,541,100	5,430,081
LOSS BEFORE INCOME TAX		**(111,127,728)**	(58,104,470)	(1,514,056,688)
PROVISION FOR (BENEFIT FROM) INCOME TAX	20			
Current		**–**	61	–
Deferred		**(5,240,923)**	(2,798,318)	4,910,153
		(5,240,923)	(2,798,257)	4,910,153
NET LOSS		**(105,886,805)**	(55,306,213)	(1,518,966,841)
OTHER COMPREHENSIVE INCOME				
Item not to be reclassified to profit or loss				
Remeasurement gain on retirement liability, net of deferred tax	14	**–**	893,807	–
TOTAL COMPREHENSIVE LOSS		**(₱105,886,805)**	(₱54,412,406)	(₱1,518,966,841)

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 **2020**	2019	2018
CAPITAL STOCK - ₱1 par value	15			
Authorized - 1,000,000,000 shares				
Issued and outstanding - 940,000,000		**₱940,000,000**	₱940,000,000	₱940,000,000
DEPOSITS FOR FUTURE SUBSCRIPTION	15	**1,500,000,000**	1,500,000,000	1,500,000,000
ADDITIONAL PAID-IN CAPITAL		**1,983,047,906**	1,983,047,906	1,983,047,906
OTHER COMPREHENSIVE INCOME	14			
Balance at beginning of year		**1,390,654**	496,847	496,847
Remeasurement gain on retirement liability, net of deferred tax		**–**	893,807	–
Balance at end of year		**1,390,654**	1,390,654	496,847
DEFICIT				
Balance at beginning of year		**(2,261,611,276)**	(2,206,305,063)	(687,338,222)
Net loss		**(105,886,805)**	(55,306,213)	(1,518,966,841)
Balance at end of year		**(2,367,498,081)**	(2,261,611,276)	(2,206,305,063)
		₱2,056,940,479	₱2,162,827,284	₱2,217,239,690

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱111,127,728)**	(₱58,104,470)	(₱1,514,056,688)
Adjustments for:				
Provision for ECL on due from related parties	13	**52,278,824**	–	1,500,000,000
Net unrealized foreign exchange loss (gain)	17	**16,863,930**	12,139,151	(16,367,174)
Interest expense	12	**12,509,884**	22,518,158	15,830,794
Depreciation and amortization	10	**8,314,484**	2,361,680	28,029
Interest income	18	**(5,578,960)**	(5,567,024)	(5,430,081)
Provision for ECL on trade receivables	5	**4,260,184**	11,331,856	–
Provision for impairment on investment in subsidiaries	8	**2,500,000**	–	–
Retirement expense	14	**325,574**	482,764	450,025
Provision for impairment on advances to suppliers	7	**–**	25,924	–
Operating loss before working capital changes		**(19,653,808)**	(14,811,961)	(19,545,095)
Decrease (increase) in:				
Trade and other receivables		**(151,969)**	(7,937)	9,397
Input VAT		**(1,086,817)**	(1,517,033)	(599,184)
Other noncurrent assets		**–**	489,350	–
Increase (decrease) in trade and other payables		**(2,434,600)**	1,581,797	5,751,107
Net cash used for operations		**(23,327,194)**	(14,265,784)	(14,383,775)
Interest received		**24,610**	2,980	2,023
Net cash used in operating activities		**(23,302,584)**	(14,262,804)	(14,381,752)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional due from related parties	13	**(17,469,802)**	(21,193)	(1,139,383)
Collection of due from related parties	13	**–**	8,303,019	13,453,500
Acquisition of property and equipment	10	**(1,629,710)**	–	–
Net cash provided by (used in) investing activities		**(19,099,512)**	8,281,826	12,314,117
CASH FLOWS FROM FINANCING ACTIVITIES	12			
Proceeds from due to related parties		**58,951,419**	196,428,552	26,431,065
Payments for:				
Lease liability		**(8,207,073)**	(4,610,725)	–
Interest paid		**(7,125,105)**	(22,225,399)	(15,984,112)
Due to related parties		**(877,026)**	–	–
Loans payable		**–**	(160,000,000)	(8,603,785)
Net cash provided by financing activities		**42,742,215**	9,592,428	1,843,168
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH		**(87,442)**	(1,486)	3,068

(Forward)

	Note	Years Ended December 31 **2020**	2019	2018
NET INCREASE (DECREASE) IN CASH		**₱252,677**	₱3,609,964	(₱221,399)
CASH AT BEGINNING OF YEAR		**3,847,176**	237,212	458,611
CASH AT END OF YEAR		**₱4,099,853**	₱3,847,176	₱237,212
NONCASH FINANCIAL INFORMATION				
Recognition of right-of-use (ROU) asset through recognition of lease liability	21	**₱–**	₱24,291,567	₱–
Reclassification of due to third parties to deposits for future subscription	13	**–**	–	1,500,000,000

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020 AND 2019
AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

1. **Corporate Information**

General Information

TKC Metals Corporation (the Company or TKC) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on November 28, 1996. TKC's shares of stock were listed for trading in the Philippine Stock Exchange (PSE) on July 20, 2001. The Company is primarily a holding company and is also engaged in marketing and selling of purlins and galvanized iron (GI) sheets.

The following are the subsidiaries of the Company:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Percentage of Ownership **2020**	2019	2018
Billions Steel International Limited (Billions)	Hong Kong	Investment holdings	**100%**	100%	100%
Zhangzhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold)*	People's Republic of China or PRC	Manufacture of steel pipes	**91%**	91%	91%
Treasure Steelworks Corporation (Treasure)	Philippines	Manufacture of steel products	**98%**	98%	98%
Campanilla Mineral Resources, Inc. (Campanilla)* *	Philippines	Mineral production	**70%**	70%	70%

**Through Billions*
***Has not yet started commercial operations as at December 31, 2020*

TKC and its subsidiaries are collectively referred to as "the Group."

Star Equities, Inc. (SEI) owns 70.96% of the Company. The ultimate parent company of TKC is JTKC Equities, Inc. (JEI). SEI and JEI are both holding companies and were incorporated in the Philippines.

On December 21, 2018, the Company applied for the amendment of the Company's Articles of Incorporation (AOI) for the change of the principal office address. As at report date, the SEC's approval on the change of the principal address is still pending.

On December 1, 2020, the Board of Directors (BOD) approved the amendment of the Company's AOI to change the corporate name from TKC Metals Corporation to Textra Corporation and the reduction of the number of the Company's BOD from eleven (11) to seven (7). These were subsequently approved by the stockholders on January 15, 2021.

The principal office address of the Company is 2nd Floor W Tower Condominium 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City.

The registered office address of the Company is Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City.

Status of Operations

TKC
In 2015, the Company stopped marketing and selling of purlins and GI sheets, its main business activity other than as a holding company. The Company incurred total comprehensive loss of ₱105.9 million, ₱54.4 million and ₱1,519.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

In 2018, a stockholder assigned ₱1,500.0 million of his advances to Treasure to foreign investors who, in turn, reassigned these advances to the Company and applied the advances against their subscriptions to the Company's increase in authorized capital stock.

The increase in authorized capital of the Company from ₱1,000.0 million divided into 1,000.0 million shares at ₱1 par value a share to ₱3,000.0 million divided into 3,000.0 million shares at ₱1 par value a share were approved by the BOD and the stockholders on September 3, 2018 and October 25, 2018, respectively.

Of the increase in authorized capital stock of ₱2,000.0 million divided into 2,000.0 million shares at ₱1 par value a share, 750.0 million shares were subscribed by foreign investors for ₱1,500.0 million against their assigned advances from Treasure to the Company. The BOD approved the subscriptions and the debt to equity conversion on September 3, 2018.

The Company applied for the increase in authorized capital stock with the SEC on December 21, 2018. As at opinion date, the SEC's approval on the increase in authorized capital stock is still pending.

The advances for debt to equity conversion were classified as "Deposits for future subscription" under "Equity" account in the separate statements of financial position.

In 2020, the Company started to explore potential business ventures with third parties, particularly in technology businesses and broadband internet, to diversify its portfolio.

Treasure
As at December 31, 2020, Treasure has not resumed plant operations. Treasure's total comprehensive loss amounted to ₱46.9 million, ₱72.4 million and ₱43.3 million for the years ended December 31, 2020, 2019 and 2018, respectively, resulting to a capital deficiency of ₱2,689.8 million and ₱2,642.9 million as at December 31, 2020 and 2019, respectively.

In 2013, Treasure suspended its plant operations (production of steel billets) in Iligan City and terminated its contract with plant employees due to a shortage in power supply in Mindanao. Treasure, however, plan to produce nickel concentrate and nickel pig iron instead to lessen the plant's power supply requirement. By shifting to nickel concentrate and nickel pig iron, the power supply requirement will drop to 5 megawatts per hour (MWPH) as compared to producing steel billets at 15 to 20 MWPH.

Treasure has almost completed the refurbishment and upgrade of the billet manufacturing plant and the installation of the iron ore beneficiating plant, sintering plant and the first blast furnace plant. These facilities can also be used to produce nickel concentrate and nickel pig iron.

Treasure is looking into a new technology for nickel leaching. This chemical process will take only two hours to extract nickel from laterite ores and will result to a nickel recovery rate of 20-50%. The processing plant will be developed in Iligan City to accommodate future expansion on this new environmentally-friendly nickel-leaching technology. Treasure will secure all the necessary permits to ensure compliance on environmental law in line with the planned diversification of operation from billets to nickel concentrate.

Management plans to start the rehabilitation of the plant facilities and the installation of the new equipment for nickel concentrate as soon as the Company gets a commitment from prospective investors.

ZZ Stronghold

ZZ Stronghold's has been incurring continuing operating losses resulting to a capital deficiency of ₱1,097.3 million and ₱1,151.1 million as at December 31, 2020 and 2019, respectively, primarily due to low production and sales volume coupled with the low price in the steel market in China. Moreover, the still prevailing coronavirus (COVID 19) pandemic has significantly affected ZZ Stronghold's operation and financial performance as at and for the year ended December 31, 2020.

ZZ Stronghold has been intensifying its marketing efforts and improving business opportunities to increase sales and generate improved results to reduce capital deficiency. In March 2021, ZZ Stronghold partnered with a third party and resumed the construction of its plant facilities which is estimated to be completed in 2021 pending all documentations before it would be allowed to be operational. Moreover, ZZ Stronghold is also planning to venture into a heavy industrial structure project for its available idle land. This project will be ZZ Stronghold's third plant facility.

Going Concern

The Company has been actively negotiating with prospective investors for potential business venture, and for financing the diversification and resumption of Treasure's operations in Iligan City and the completion of the Group's Construction projects. The stockholders and other related parties of the Company, however, have committed to provide continuous financial support to sustain its operations and meet its maturing obligations.

The accompanying separate financial statements have been prepared assuming that the Company will continue as a going concern.

Approval of Separate Financial Statements

The separate financial statements of the Company as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were authorized and approved for issuance by the BOD on June 12, 2021, as reviewed and recommended for approval by the Audit Committee on the same date.

2. **Summary of Significant Accounting Policies**

Basis of Preparation and Statement of Compliance

The separate financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

The Company also prepares and issues consolidated financial statements for the same years in accordance with PFRS. In the consolidated financial statements, subsidiary undertakings have been fully consolidated. Users of the separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the consolidated statements of financial position, financial performance and cash flows of the Group. The consolidated financial statements are available for public use and may be obtained at the Company's registered office address and at the SEC and PSE.

Measurement Bases
The separate financial statements are presented in Philippine Peso, the Company's functional and presentation currency. All values are rounded to the nearest peso except when otherwise indicated.

The separate financial statements of the Company have been prepared on the historical cost basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or consideration paid in exchange for the incurrence of a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

Further information about the assumptions made in measuring fair value is included in Note 23 to the separate financial statements.

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - Definition of a Business – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must include, at a minimum, 'an input and a substantive process that together significantly contribute to the ability to create an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases – *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

The adoption of the foregoing amended PFRS did not have any material effect on the separate financial statements of the Company. Additional disclosures were included in the notes to separate financial statements, as applicable.

Several other amendments apply for the first time in 2020, but are not relevant on the separate financial statements of the Company.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle -

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Differences. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2020 and 2019, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, the Company's cash, trade and other receivables (excluding advances to employees), due from related parties, long-term loan receivable and refundable deposits are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process. Financial liabilities at amortized cost are included under current liabilities if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2020 and 2019, the Company's trade and other payables (excluding statutory liabilities), loans payable, lease liability and due to related parties are classified under this category.

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss (ECL) on its financial assets measured at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables from third parties, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecasted direction of conditions at the reporting date, including time value of money where appropriate.

For cash, related party balances and refundable deposits, the Company has calculated ECL based on 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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 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.

Otherwise, a financial instrument is classified as equity.

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:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the separate 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 gross in the separate statement of financial position.

Advances to Employees
Advances to employees represent advances which are subject to liquidation. These are carried at face amount in the separate statement of financial position and are recognized to the corresponding expense account upon liquidation.

Inventories
Inventories are valued at lower of cost and net realizable value (NRV). Cost is determined using the first-in-first-out method. The cost of finished goods comprises of raw materials, direct labor and related production overheads (based on normal operating capacity). Cost of raw materials includes purchase price and other taxes that are not subsequently recoverable from taxing authorities. The NRV of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. In determining the net realizable value, the Company considers any adjustment necessary for obsolescence. These are recognized in profit or loss when the related goods are sold.

Other Current Assets
Other current assets include creditable withholding tax (CWT), advances to suppliers and prepayments.

CWT. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at face amount less any impairment in value.

Advances to Suppliers. Advances to suppliers are amounts paid in advance for accreditation application, and purchase of scrap and raw materials. These are recognized in the separate statement of financial position at cost less any impairment and are subsequently applied when service transactions are incurred.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time. Prepayments are classified as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Investment in Subsidiaries
The Company's investment in subsidiaries is carried at cost less any impairment loss. Cost is the purchase price plus any incidental costs relating to the acquisition of the investment. A subsidiary is an entity that is controlled by another entity known as the parent. Control is when the investor is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to offset those returns through its power over the subsidiary.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, nonrefundable purchase taxes after deducting trade discounts and rebates and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment:

	Number of Years
Leasehold improvements	3 or term of the lease, whichever is shorter
Office equipment	3
Furniture and fixtures	5
Transportation equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Input VAT

Expenses and assets (except trade receivables) are recognized net of the amount of VAT. Input VAT is stated at face amount less impairment in value, if any. The Company classifies input VAT as current when it is expected to be realized within 12 months from the reporting period. Otherwise, these are classified as noncurrent assets.

Impairment of Nonfinancial Assets

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset’s fair value less costs to sell or value in use. 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 largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in the period incurred.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax.

Deficit. Deficit represents the cumulative balance of net losses.

Deposits for Future Subscription. The Company classifies a contract to deliver its own equity instruments under equity as a separate account from "Outstanding Capital Stock" if and only if, all of the following elements set forth by the SEC are present as at end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD approval on the proposed increase in the authorized capital stock;
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Other Comprehensive Income (OCI). OCI comprises of items of income and expense that are not recognized in profit or loss in accordance with PFRS. OCI of the Company pertains to remeasurement gains on retirement liability, net of deferred tax.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Interest Income. Interest income is recognized in profit or loss as it accrues, net of final tax. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of a noninterest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Other Income. Income from other sources is recognized when earned during the period.

Net Unrealized Foreign Exchange Gain (Loss). Net unrealized foreign exchange gain (loss) is recognized at year-end taking into account the functional currency rate at the reporting date.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business and cost incurred to sell and market goods and services. These are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Leases

a. Accounting Policies prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (iii) or (iv) and at the date of renewal or extension period for scenario (ii).

Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

b. Accounting Policies beginning January 1, 2019

The determination of whether an arrangement is, or a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customers has both of the following:

i. The right to obtain substantially all of the economic benefits from use of the identified asset; and

ii. The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

Company as a Lessee. At the commencement date, the Company recognizes right-of-use (ROU) asset and a lease liability for all leases, except for leases with lease terms of twelve (12) months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Asset. At commencement date, the Company measures the ROU asset at cost. The cost comprises:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU asset is recognized under the same basis with property and equipment at the present value of the lease liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU asset is carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability resulting from reassessments or lease modifications.

The ROU asset is amortized using the straight-line method over the lease term of the underlying leased asset of 3 years.

ROU asset is presented as part of "Property and equipment" account in the separate statement of financial position.

Lease Liability. At commencement date, the Company measures lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Company has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, gains and losses on curtailments and non-routine settlements; and interest expense or income in profit or loss.

Interest on retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability. Interest is calculated by applying the discount rate to the defined benefit liability.

Remeasurement comprising actuarial gains and losses are immediately recognized in the period in which they arise. Remeasurements are directly recognized in OCI and are not reclassified to profit or loss in subsequent periods.

The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Foreign Currency-Denominated Transactions

The Company determines its own functional currency and items included in the separate financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. All differences are taken to and presented as “net unrealized foreign exchange gain (loss)” in the separate statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Company's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Company's total assets. Details of transactions entered into by the Company with related parties are reviewed by the Risk and Audit Committee and the BOD in accordance with the Company's related party transactions policies.

Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the separate statement of financial position. These are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the separate financial statements but disclosed in the notes to separate financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Company's separate financial statements requires management to make judgment, accounting estimates and assumptions that affect the amounts reported in the separate financial statements and accompanying notes. The judgment and accounting estimates used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgment, accounting estimates and assumptions made by the Company:

Assessing the Ability of the Company to Continue as Going Concern. The Company has been incurring continuing losses in the previous years resulting to total deficit of ₱2,367.5 million and ₱2,261.6 million as at December 31, 2020 and 2019, respectively.

With the Company' business development projects as discussed in Note 1, and the related parties continuing financial support to sustain the Company's operations, management has assessed that the Company can continue as a going concern. Accordingly, the separate financial statements were prepared on a going concern basis.

Determining the Functional Currency. Based on management's assessment, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Company.

Establishing Control over Investment in Subsidiaries. The Company determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following factors were also considered:

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

As at December 31, 2020 and 2019, management has assessed that it has control over its subsidiaries (see Note 8).

Estimating the ROU Asset and Lease Liability. The Company determines lease payments, lease term and discount rate at the commencement date of a lease. The lease term comprises non-cancellable period of a lease contract. Any option to extend or terminate the lease that is included in the lease term must be enforceable. The Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise, or not to exercise, the option such as, but not limited to, significant leasehold improvements undertaken and the importance of the underlying asset to the Company's operations.

Interest expense on lease liability amounted to ₱0.7 million and ₱38,206 in 2020 and 2019, respectively. Amortization on ROU asset amounted to ₱8.1 million and ₱2.4 million in 2020 and 2019, respectively (see Note 21).

The ROU asset was initially measured at the amount equal to the lease liability amounting to ₱24.3 million. As at December 31, 2020 and 2019, the carrying amount of ROU asset amounted to ₱13.8 million and ₱21.9 million, respectively, while the carrying amount of lease liability amounted to ₱12.2 million and ₱19.7 million, respectively (see Note 21).

Determining the Discount Rate for Lease. The Company uses its incremental borrowing rate as basis for the discount rate which is the rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Company uses its general borrowing rate adjusted for the lease term, security of an item with the underlying nature of the leased asset and expectations of residual value, among others.

The Company recognized ROU asset and lease liability using the discount rate of 4.2% as at September 15, 2019 (see Note 21).

Assessing the ECL on Financial Assets at Amortized Cost. The Company estimates ECL on receivables using provision matrix. The provision rates are based on days past due for groupings of receivables with similar credit risk characteristics and loss patterns. The provision matrix is based on the Company's historical default rates and is adjusted for forward-looking estimates, as appropriate. The Company has no observed default experience from receivables. Consequently, the resulting lifetime ECL on receivable is considered not significant.

Significant portion of the Company's other receivables are from its related parties. These financial assets are non-interest bearing and payable on demand. These exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will have insufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. Relying on the 90 days past due rebuttable presumption is not considered an appropriate backstop indicator given the lack of contractual payment obligations due throughout the life of the loan.

The carrying amount of trade and other receivables (excluding advances to employees) amounted to ₱45.7 million and ₱50.0 million as at December 31, 2020 and 2019, respectively. Provision for ECL on trade receivables amounting to ₱4.3 million and ₱11.3 million was recognized in 2020 and 2019, respectively. No provision for ECL on trade receivables was recognized in 2018 (see Note 5).

The carrying amount of due from related parties amounted to ₱1,174.0 million and ₱1,218.2 million as at December 31, 2020 and 2019, respectively. Provision for ECL on due from related parties amounting to ₱52.3 million and ₱1,500.0 million was recognized in 2020 and 2018, respectively. No provision for ECL on due from related parties was recognized in 2019 (see Note 13).

Based on management assessment, the allowance for ECL on trade and other receivables and due from related parties as at December 31, 2020 and 2019 are adequate to cover for possible losses.

For cash, and refundable deposits, the Company applies low credit risk simplification. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The resulting ECL for these financial assets is considered insignificant because the counterparty banks have no history of default and have good credit ratings.

Financial assets at amortized cost are considered as credit-impaired when contractual payments are 90 days past due and the counterparty is unlikely to settle its obligation to the Company, as evidenced by the following, among others:

- Significant financial difficulty or insolvency;
- Breach of financial covenants; and
- Probability that the counterparty will enter bankruptcy or other financial reorganization.

No provision for ECL was recognized on the Company's other financial assets in 2020, 2019 and 2018.

The carrying amounts of financial assets at amortized cost that were subjected to impairment testing are disclosed in Note 22.

Estimating the Useful Lives of Property and Equipment. The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each reporting date 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. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation and amortization expense for any period would be affected by changes in these factors and circumstances.

There was no change in useful lives of property and equipment in 2020, 2019 and 2018.

Depreciation and amortization amounted to ₱8.3 million, ₱2.4 million and ₱28,029 in 2020, 2019 and 2018, respectively. Property and equipment, net of accumulated depreciation and amortization, amounted to ₱15.2 million and ₱21.9 million as at December 31, 2020 and 2019, respectively (see Note 10).

Determining the Recoverability of Input VAT and CWT. The carrying amounts of input VAT and CWT are adjusted to an extent that it is probable that sufficient taxable profit and revenue subject to output VAT, respectively, will be available to allow all or part of the input VAT and CWT to be recoverable. Any allowance for unrecoverable portion of input VAT and CWT is maintained at a level considered adequate to provide for potentially unrecoverable portion. The level of allowance is based on past application experience and other factors that may affect recoverability.

In 2020, 2019 and 2018, no provision for impairment losses on input VAT and CWT (presented under "Other current assets") were recognized. The carrying amount of input VAT and CWT aggregated ₱24.4 million and ₱23.4 million as at December 31, 2020 and 2019, respectively.

Assessing the Impairment for Investment in Subsidiaries. The Company assesses the impairment of investment in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of investment in subsidiaries may not be recoverable. Factors that the Company considered in deciding when to perform impairment review include the following, among others:

- Significant decline in business and operating performance in relation to expectations;
- Significant negative industry or economic trends; and

- Significant changes in the business operations and strategies of the Company and its subsidiaries.

The recoverability of the Company's investments is dependent on the management plans as discussed in Note 1. The Company recognized provision for impairment loss on investment in subsidiaries amounting to ₱2.5 million in 2020. No provision for impairment loss was recognized in 2019 and 2018. The carrying amount of investment in subsidiaries amounted to ₱1,741.8 million and ₱1,744.3 million as at December 31, 2020 and 2019, respectively (see Note 8).

Assessing the Impairment of Nonfinancial Assets. The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable.

The relevant factors that the Company considers in deciding whether to perform an asset impairment review include the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Each group of the Company's equipment installed in customer sites is considered as a cash-generating unit. Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

The Company recognized provision for impairment on advances to suppliers (presented under "Other current assets") amounting to ₱25,924 in 2019. No provision for impairment loss on other nonfinancial assets was recognized in 2020 and 2018 (see Note 7).

The carrying amounts of other nonfinancial assets amounted to ₱15.7 million and ₱23.1 million as at December 31, 2020 and 2019, respectively.

Estimating the Retirement Benefits. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 14 to separate financial statements and include, among others, discount rates and salary increase rates.

Retirement expense amounted to ₱0.3 million in 2020 and ₱0.5 million in 2019 and 2018. Retirement liability amounted to ₱3.1 million and ₱2.8 million as at December 31, 2020 and 2019, respectively (see Note 14).

Recognizing the Deferred Tax Asset. The carrying amount of deferred tax asset at each reporting date is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax asset on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenue and expenses.

As at December 31, 2020 and 2019, the Company did not recognize deferred tax assets amounting to ₱509.7 million and ₱492.9 million, respectively, since management has assessed that it may not be probable that sufficient future taxable income may be available to allow deferred tax asset to be utilized (see Note 20).

4. Cash

This account consists of:

	2020	2019
Cash on hand	**₱10,000**	₱10,000
Cash in banks	**4,089,853**	3,837,176
	₱4,099,853	₱3,847,176

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income earned from cash in banks amounted to ₱24,610, ₱2,980 and ₱2,023 in 2020, 2019 and 2018, respectively (see Note 18).

5. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade:			
Related parties	13	**₱49,971,336**	₱49,971,336
Third parties		**11,331,856**	11,331,856
Advances to employees		**691,001**	539,032
		61,994,193	61,842,224
Allowance for ECL		**(15,592,040)**	(11,331,856)
		₱46,402,153	₱50,510,368

The details and movements of allowance for ECL on trade and other receivables are as follows:

	Note	2020	2019
Balance at beginning of year		**₱11,331,856**	₱–
Provision for ECL:			
Related parties	13	**4,260,184**	–
Third parties		**–**	11,331,856
Balance at end of year		**₱15,592,040**	₱11,331,856

Trade receivables are noninterest-bearing and are generally on a 30 to 90-day credit term.

Advances to employees are noninterest-bearing and are subject to liquidation within a year.

In 2020 and 2019, the Company recognized provision for ECL on trade receivables amounting to ₱4.3 million and ₱11.3 million, respectively. No provision for ECL on trade receivables was recognized in 2018.

6. Inventories

This account pertains to finished goods carried at lower of cost and NRV amounting to ₱431,976

	2020		2019	
	At Cost	**At NRV**	At Cost	At NRV
Finished goods	**₱463,556**	**₱431,976**	₱463,556	₱431,976

The allowance for inventory write-down amounted to ₱31,580 as at December 31, 2020 and 2019.

No additional provision for inventory write-down was recognized in 2020, 2019 and 2018.

7. Other Current Assets

This account consists of:

	Note	**2020**	2019
CWT		**₱10,261,497**	₱10,261,497
Advances to suppliers		**240,707**	240,707
Prepaid interest	12	**–**	758,415
		10,502,204	11,260,619
Allowance for impairment on advances to suppliers		**(240,707)**	(240,707)
		₱10,261,497	₱11,019,912

Advances to suppliers are advance payments for accreditation application, and purchase of scrap and raw materials. In 2019, the Company recognized additional provision for impairment of advances to suppliers amounting to ₱25,924. No provision for impairment was recognized in 2020 and 2018 (see Note 18).

Prepaid interest pertains to advance payment of interest on loans payable.

8. Investment in Subsidiaries

Details of investment in subsidiaries, which are accounted for under cost method, are as follows:

	2020	2019
Billions	**₱1,741,825,926**	₱1,741,825,926
Treasure	**220,200,330**	220,200,330
Campanilla	**2,500,000**	2,500,000
	1,964,526,256	1,964,526,256
Allowance for impairment	**(222,700,330)**	(220,200,330)
	₱1,741,825,926	₱1,744,325,926

Billions

Billions is a company incorporated in Hong Kong with limited liability. Billions is an investment holding company and has acquired 100% of ZZ Stronghold on January 9, 2009. ZZ Stronghold is a company registered in the People's Republic of China and is primarily engaged in manufacturing of steel pipes.

Treasure

Treasure was incorporated in the Philippines and registered with the SEC on February 23, 2005, to operate a steel billet production plant with steel billets as its principal product. In 2013, Treasure suspended its plant operations (production of steel billets) in Iligan City and terminated its contract with plant employees due to shortage in power supply in Mindanao.

Campanilla

Campanilla was incorporated in the Philippines and registered with the SEC on May 30, 2011 and is primarily engaged in the business of mining, exploration and dealings of all kinds of metals, ores, minerals and natural resources.

Financial Information

The financial information of the subsidiaries as at and for the years ended December 31, 2020 and 2019 is summarized below (amounts in thousands):

	2020		
	Treasure	**Billions**	**Campanilla**
Total assets	**₱2,151,028**	**₱2,089,903**	**₱23**
Total liabilities	**4,840,868**	**3,187,205**	**3,630**
Revenues	**–**	**512,051**	**–**
Total comprehensive income (loss)	**(46,896)**	**53,838**	**(180)**

	2019		
	Treasure	Billions	Campanilla
Total assets	₱2,170,009	₱2,040,010	₱22
Total liabilities	4,812,952	3,191,150	3,450
Revenues	–	566,765	–
Total comprehensive loss	(72,398)	(75,943)	(335)

As discussed in Note 1, ZZ Stronghold has incurring operating losses. The market value of the property, plant and equipment, and leasehold rights of ZZ Stronghold is higher than the recorded net carrying amount by ₱136.5 million as at December 31, 2020 as determined by an independent appraiser using cost approach in its report dated April 6, 2021. Thus, no impairment was recognized in 2020, 2019 and 2018. The fair value was determined using level 2 in the fair value hierarchy (significant observable inputs).

Based on the cost approach, an estimate is made of the current replacement cost of the replaceable property based on prevailing market prices for materials, labor, and overhead associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. Adjustments were made to reflect depreciation due to physical deterioration and any functional and economic obsolescence that may exist to arrive at a reasonable valuation. The fair value of the property, plant and equipment, which is also equal to its depreciated replacement cost, is based on the "highest and best use" taking into account the use of the assets that is physically possible, legally permissible and financially feasible.

The completion of the construction of Treasure has been long delayed because the Company has not been able to get potential investors not only to fund the completion but to resume operations (see Note 1). Treasure reviewed the recoverability of Treasure's assets at fair value less cost to sell using an independent valuation rather than value in use because of the significant delay but also the significant downturn in the industry brought about by the declining prices of steel and demand level.

As at December 31, 2019, the fair value of Treasure's property, plant and equipment is estimated at ₱2,428.9 million and was determined using the current depreciated replacement cost as determined by an independent appraiser. The inputs used to determine the market value of the property, plant and equipment using the cost approach includes the current cost of reproduction of the replaceable property in accordance with the prevailing market prices for materials, equipment, labor, overhead, and all other attendant costs associated with the properties' acquisition. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic and obsolescence that may exist. Accordingly, the fair value measurement used is classified as Level 2.

The fair value of Treasure's property, plant and equipment amounted to ₱2,355.1 million as at December 31, 2020 using the market value approach, determined by an independent appraiser in its report dated March 24, 2021. The inputs used to determine the market value of the property, plant and equipment includes the new replacement or reproduction cost of the replaceable property in accordance with current market prices for manufactured equipment, current prices of similar used property in the second hand market, and the age, condition, past maintenance, and present and prospective serviceability in comparison with units of like kind. Due to the current economic condition the Management elected to change the valuation technique used in the appraisal from cost approach to the market value approach. Management has assessed that any reasonably possible changes in the key assumptions on which the recoverable amount is based would result to significant changes in the fair value of property, plant and equipment.

As at December 31, 2020, 2019 and 2018, no additional impairment loss on Treasure's property, plant and equipment was recognized.

Campanilla has not started exploration activities since incorporation. The recoverability of Campanilla's assets was identified at fair value rather than value in use since its management is still assessing on the future plans of the entity. Thus, financial projection would not be practical to use.

In 2020, the Company assessed that the recoverable amount of the investment in Campanilla is lower by ₱2.5 million than its carrying amount. Accordingly, the Company recognized an impairment loss of ₱2.5 million on its investment in Campanilla in 2020. The recoverable amount was determined using fair value of the net assets of Campanilla. The carrying amount of Campanilla's only asset, which is cash, approximate its fair value at the reporting date due to its short-term nature. The fair value was determined using level 3 in the fair value hierarchy.

9. **Long-term Loan Receivable**

Details of the carrying amount are as follows:

	2020	2019
Gross amount of loan	**₱150,718,995**	₱150,718,995
Unearned interest income	**(11,413,059)**	(16,967,409)
	139,305,936	133,751,586
Net unrealized foreign exchange gain (loss)	**(6,478,016)**	921,417
	₱132,827,920	₱134,673,003

Loan receivable is a five year noninterest-bearing term loan to Billions and originally due on December 25, 2017. On December 19, 2017, the Company extended the maturity until December 25, 2022.

The unrealized foreign exchange gain (loss) on loan receivable amounted to (₱7.4 million), (₱5.2 million) and ₱6.9 million in 2020, 2019 and 2018, respectively (see Note 17).

Interest income from accretion of long-term loan receivable amounted to ₱5.6 million in 2020 and 2019 and ₱5.4 million in 2018, respectively. These are included under "Other income - net" account in the separate statements of comprehensive income (see Note 18).

10. **Property and Equipment**

The balances and movements of this account are as follows:

		2020					
	Note	**Leasehold Improvement**	**Office Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**ROU Asset**	**Total**
Cost							
Balances at beginning of year		**₱2,897,408**	**₱2,391,198**	**₱1,504,889**	**₱575,893**	**₱24,291,567**	**₱31,660,955**
Additions		**–**	**–**	**–**	**1,629,710**	**–**	**1,629,710**
Balances at end of year		**2,897,408**	**2,391,198**	**1,504,889**	**2,205,603**	**24,291,567**	**33,290,665**
Accumulated Depreciation and Amortization							
Balances at beginning of year		**2,897,408**	**2,391,198**	**1,504,889**	**575,893**	**2,361,680**	**9,731,068**
Depreciation and amortization	16	**–**	**–**	**–**	**217,295**	**8,097,189**	**8,314,484**
Balances at end of year		**2,897,408**	**2,391,198**	**1,504,889**	**793,188**	**10,458,869**	**18,045,552**
Carrying Amount		**₱–**	**₱–**	**₱–**	**₱1,412,415**	**₱13,832,698**	**₱15,245,113**

		2019					
	Note	Leasehold Improvement	Office Equipment	Furniture and Fixtures	Transportation Equipment	ROU Asset	Total
Cost							
Balances at beginning of year		₱2,897,408	₱2,391,198	₱1,504,889	₱575,893	₱–	₱7,369,388
Adoption of PFRS 16		–	–	–	–	24,291,567	24,291,567
Balances at end of year		2,897,408	2,391,198	1,504,889	575,893	24,291,567	31,660,955
Accumulated Depreciation and Amortization							
Balances at beginning of year		2,897,408	2,391,198	1,504,889	575,893	–	7,369,388
Amortization	16	–	–	–	–	2,361,680	2,361,680
Balances at end of year		2,897,408	2,391,198	1,504,889	575,893	2,361,680	9,731,068
Carrying Amount		₱–	₱–	₱–	₱–	₱21,929,887	₱21,929,887

Fully depreciated assets still in use amounted to ₱7.4 million as at December 31, 2020 and 2019.

11. **Trade and Other Payables**

This account consists of:

	Note	2020	2019
Trade:			
Related parties	13	**₱4,222,068**	₱4,222,068
Third parties		**1,582,026**	1,582,026
Accruals for:			
Professional fees and other services		**11,843,075**	14,008,253
Interest		**3,909,180**	–
Documentary stamp tax		**1,419,872**	1,419,872
Salaries payable		**12,246,353**	11,367,871
Statutory payables		**3,175,648**	4,171,641
Others		**408,522**	560,433
		₱38,806,744	₱37,332,164

Trade payables are noninterest-bearing and are normally settled within the year.

Accruals mainly pertain to consultancy and legal services which are expected to be settled within the next 12 months.

Salaries payable pertain to the unpaid salaries to its employees which should be settled in the following month.

Statutory payables pertain to obligations to government agencies that should be settled in the following month.

12. **Loans Payable**

This account represents unsecured peso-denominated loans of the Company from a local commercial bank amounting to ₱169.0 million as at December 31, 2020 and 2019. These loans have maturity of one year and renewable upon mutual agreement of the parties. Annual interest rates range 5.75%-8.75% and 7.75%-8.25% in 2020 and 2019, respectively. A portion of the principal loans aggregating ₱160.0 million was paid in November 2019.

Interest expense incurred on these loans amounted to ₱11.8 million, ₱22.5 million and ₱15.8 million in 2020, 2019 and 2018, respectively.

Details of interest expense are as follows:

	Note	2020	2019	2018
Loans payable		**₱11,792,700**	₱22,479,952	₱15,830,794
Lease liability	21	**717,184**	38,206	–
		₱12,509,884	₱22,518,158	₱15,830,794

Prepaid interest related to loans payable amounted to ₱0.8 million as at December 31, 2019 (see Note 7).

The changes in liabilities arising from financing activities are as follows:

	2020							
					Financing Cashflows			
	Balance at Beginning of Year	**Interest Expense**	**Prepaid Interest**	**Accrued Interest**	**Proceeds**	**Principal Payment**	**Interest Payments**	**Balance at End of Year**
Loan payable	**₱168,998,657**	**₱11,792,700**	**(₱758,415)**	**(₱3,909,180)**	**₱–**	**₱–**	**(₱7,125,105)**	**₱168,998,657**
Due to related parties	**799,326,963**	**–**	**–**	**–**	**58,951,419**	**(877,026)**	**–**	**857,401,356**
Lease liability	**19,719,048**	**717,184**	**–**	**–**	**–**	**(7,489,889)**	**(717,184)**	**12,229,159**
	₱988,044,668	**₱12,509,884**	**(₱758,415)**	**(₱3,909,180)**	**₱58,951,419**	**(₱8,366,915)**	**(₱7,842,289)**	**₱1,038,629,172**

	2019							
				Financing Cashflows			Non-Cash Changes	
	Balance at Beginning of Year	Interest Expense	Prepaid Interest	Proceeds	Principal Payment	Interest Payments	Recognition of lease liability	Balance at End of Year
Loan payable	₱328,998,657	₱22,479,952	(₱254,553)	₱–	(₱160,000,000)	(₱22,225,399)	₱–	₱168,998,657
Due to related parties	602,898,411	–	–	196,428,552	–	–	–	799,326,963
Lease liability	–	38,206	–	–	(4,572,519)	(38,206)	24,291,567	19,719,048
	₱931,897,068	₱22,518,158	(₱254,553)	₱196,428,552	(₱164,572,519)	(₱22,263,605)	₱24,291,567	₱988,044,668

13. **Related Party Transactions**

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

a. Trade receivables are from sale of inventories and are unsecured, noninterest-bearing and to be settled in cash. These are generally on a 30 to 90-day credit term and to be settled in cash. Provision for ECL on trade receivables amounting to ₱4.3 million was recognized in 2020. No impairment was recognized in 2019 and 2018.

b. Due from related parties are unsecured and noninterest-bearing advances for working capital requirements. These are normally settled in cash throughout the year. Provision for ECL on due from related parties amounting to ₱52.3 million and ₱1,500.0 million was recognized in 2020 and 2018, respectively. No impairment was recognized in 2019.

c. Long-term loan receivable is noninterest-bearing, unsecured and due in cash to be settled in 2022. No impairment was recognized in 2020, 2019 and 2018.

d. Trade payables are from availment of manufacturing services. These are unsecured, noninterest-bearing and payable in cash and normally settled within one year.

e. Due to related parties are unsecured, noninterest-bearing advances for working capital requirements. These are payable on demand and to be settled in cash.

Transactions and outstanding balances are presented below:

	Note	Amount of Transactions 2020	Amount of Transactions 2019	Outstanding Balance 2020	Outstanding Balance 2019
Trade and other receivables	5				
Subsidiary		**₱–**	₱–	**₱2,176,670**	₱2,176,670
Under common control		**–**	–	**47,794,666**	47,794,666
				49,971,336	49,971,336
Allowance for ECL		**4,260,184**	–	**(4,260,184)**	–
				₱45,711,152	₱49,971,336
Due from related parties					
Subsidiaries		**₱12,350,000**	₱21,193	**₱2,683,427,542**	₱2,680,369,140
Under common control		**5,119,802**	–	**31,053,357**	26,019,012
Stockholder		**–**	–	**11,839,173**	11,839,173
				2,726,320,072	2,718,227,325
Allowance for ECL		**52,278,824**	–	**(1,552,278,824)**	(1,500,000,000)
				₱1,174,041,248	₱1,218,227,325
Long-term loan receivable					
Subsidiary	9	**₱–**	₱–	**₱132,827,920**	₱134,673,003
Trade and other payables					
Under common control	11	**₱–**	₱–	**₱4,222,068**	₱4,222,068
Due to related parties					
Under common control		**₱58,951,419**	₱196,428,552	**₱460,576,070**	₱402,501,677
Ultimate Parent		–	–	**382,825,786**	382,825,786
Subsidiary		**–**	–	**13,999,500**	13,999,500
				₱857,401,356	₱799,326,963

Treasure has been receiving continuous financial support from related parties to meet its maturing obligations and to finance its working capital. On September 14, 2018, a stockholder assigned portion of his advances to Treasure amounting to ₱1,500.0 million to foreign investors. These investors re-assigned the advances to the Company and applied the advances against their subscription to the increase in authorized capital stock of the Company (see Note 1). The debt to equity conversion is subject to the approval of the increase in authorized capital stock which is still pending with the SEC.

Due to the capital deficiency position of Treasure resulting from continuing losses from operations, an allowance of ₱1,500.0 million was recognized in 2018 on the amounts due from Treasure, arising from the assignment.

In 2019, the Company collected ₱8.3 million from Treasure.

Compensation of key management personnel of the Company are as follows:

	2020	2019	2018
Short-term employee benefits	**₱2,600,800**	₱2,572,656	₱3,653,024
Post-employment benefits	**25,200**	23,343	27,976
	₱2,626,000	₱2,595,999	₱3,681,000

14. **Retirement Liability**

The Company has an unfunded, noncontributory defined benefit retirement plan covering all its regular full-time employees. The latest actuarial valuation report obtained by the Company was for the year ended December 31, 2019.

The components of retirement expense recognized as part of "Salaries, wages and employee benefits" account under "General and administrative expenses" account in the separate statements of comprehensive income are as follows (see Note 19):

	2020	2019	2018
Current service cost	**₱256,471**	₱330,254	₱316,790
Interest cost	**69,103**	152,510	133,235
	₱325,574	₱482,764	₱450,025

Changes in the present value of retirement liability are as follows:

	2020	2019
Balance at beginning of year	**₱2,794,378**	₱3,588,481
Current service cost	**256,471**	330,254
Interest cost	**69,103**	152,510
Remeasurement gain:		
Experience adjustments	**–**	(1,180,162)
Change in assumptions	**–**	(96,705)
Balance at end of year	**₱3,119,952**	₱2,794,378

Movements in retirement liability are as follows:

	2020	2019
Balance at beginning of year	**₱2,794,378**	₱3,588,481
Retirement expense	**325,574**	482,764
Remeasurement gain	**–**	(1,276,867)
Balance at end of year	**₱3,119,952**	₱2,794,378

The cumulative remeasurement gains recognized in the separate statements of financial position as at December 31, 2020 and 2019 are as follows:

		2020	
	Gross	**Tax Effect**	**Net of Tax**
Balance at beginning and end of year	**₱1,986,648**	**₱595,994**	**₱1,390,654**

		2019	
	Gross	Tax Effect	Net of Tax
Balance at beginning of year	₱709,781	₱212,934	₱496,847
Remeasurement gain	1,276,867	383,060	893,807
Balance at end of year	₱1,986,648	₱595,994	₱1,390,654

The principal actuarial assumptions used to determine retirement liability for 2020 and 2019 are as follows:

	2020	2019
Discount rate	**2.47%**	5.43%
Salary increase rate	**2.00%**	2.00%

Sensitivity analysis on retirement liability is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	+1.00%	(₱15,746)
	-1.00%	20,415
Salary increase rate	+1.00%	31,979
	-1.00%	(31,979)

The sensitivity analysis above has been determined based on the method that extrapolates the impact of retirement liability as a result of reasonable changes in key assumptions occurring at end of the reporting period.

As at December 31, 2020, maturity analysis of undiscounted benefit payments is as follows:

Less than one year	₱3,188,716
More than 20 years	198,111
	₱3,386,827

The average duration of retirement liability as at December 31, 2020 is 3.21 years.

15. **Capital Stock**

Details of the common stock as at December 31, 2020 and 2019 follows:

	Shares	Amount
Authorized - ₱1 par value	1,000,000,000	₱1,000,000,000
Issued and outstanding	940,000,000	₱940,000,000

The details and movements of the Company’s shares listed with PSE are as follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
November 28, 2006	Acquisition by SEI	25,000,000	₱1.00
April 13, 2007	Subscription of additional shares by SEI	240,000,000	1.00
April 16, 2007	Subscription of additional shares by SEI	440,000,000	1.00
November 23, 2007	Follow-On-Offering (FOO)	235,000,000	9.68
		940,000,000	

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2020 and 2019, public ownership over the Company is 29.04%.

Deposits for Future Subscription

On September 3, 2018, the BOD approved the increase in authorized capital of TKC from ₱1,000.0 million divided into 1,000.0 million shares at ₱1 par value a share, to ₱3,000.0 million divided into 3,000.0 million shares at ₱1 par value per share.

Of the increase in authorized capital stock of ₱2,000.0 million divided into 2,000.0 million shares at ₱1 par value a share, 750.0 million shares were subscribed by foreign investors for ₱1,500.0 million. The subscriptions were paid in full by converting their assigned advances from Treasure to the Company (see Note 13). On September 3, 2018, the BOD approved the subscription and debt to equity conversion.

On October 25, 2018, the increase in authorized capital stock was approved by the stockholders. The Company applied for the increase in authorized capital stock with the SEC on December 21, 2018. As at report date, the SEC's approval on the increase in authorized capital stock is still pending.

The advances for debt to equity conversion were classified as "Deposits for future subscription" under "Equity" in the separate statements of financial position.

16. General and Administrative Expenses

This account consists of:

	Note	**2020**	2019	2018
Depreciation and amortization	10	**₱8,314,484**	₱2,361,680	₱28,029
Outside services		**8,207,089**	78,292	1,412,778
Salaries, wages and employee benefits	19	**4,338,271**	4,159,382	5,954,396
Representation		**1,451,019**	229,239	267,303
Taxes and licenses		**1,408,836**	2,737,478	2,629,336
Professional fees		**1,120,000**	1,150,000	1,305,183
Due and subscription		**924,000**	571,067	596,350
Penalties		**791,019**	–	–
Utilities		**651,945**	737,975	690,744
Travel and transportation		**634,052**	608,271	784,894
Repairs		**338,879**	424,230	474,062
Rental	21	**–**	4,552,354	5,782,140
Others		**114,272**	46,437	97,934
		₱28,293,866	₱17,656,405	₱20,023,149

17. Net Unrealized Foreign Exchange Gain (Loss)

This pertains to the following:

	Note	2020	2019	2018
Cash		**(₱87,442)**	(₱1,486)	₱3,068
Due from related parties		**(9,377,055)**	(6,982,533)	9,513,476
Loan receivable	9	**(7,399,433)**	(5,155,132)	6,850,630
		(₱16,863,930)	(₱12,139,151)	₱16,367,174

18. Other Income - Net

This account consists of:

	Note	2020	2019	2018
Interest income:				
Accretion of interest on long-term loan receivable	9	**₱5,554,350**	₱5,564,044	₱5,428,058
Cash in banks	4	**24,610**	2,980	2,023
Provision for impairment of advances to suppliers	7	**–**	(25,924)	–
		₱5,578,960	₱5,541,100	₱5,430,081

19. Salaries, Wages and Employee Benefits

This account consists of:

	Note	2020	2019	2018
Salaries and wages		**₱3,911,297**	₱3,604,618	₱5,432,371
Retirement expense	14	**325,574**	482,764	450,025
Other employee benefits		**101,400**	72,000	72,000
		₱4,338,271	₱4,159,382	₱5,954,396

20. Income Taxes

The components of income tax expense as reported in the separate statements of comprehensive income are as follows:

	2020	2019	2018
Reported in Profit or Loss:			
Current	**₱–**	₱61	₱–
Deferred	**(5,240,923)**	(2,798,318)	4,910,153
	(₱5,240,923)	(₱2,798,257)	₱4,910,153
Reported in OCI -			
Deferred tax expense on remeasurement gain on retirement liability	**₱–**	₱383,060	₱–

The Company did not recognize the following deferred tax assets as at December 31, 2020 and 2019 because management has assessed that the Company may not have sufficient future taxable profit which the deferred tax assets can be utilized.

	2020	2019
Allowance for ECL on due from related parties	**₱465,683,647**	₱450,000,000
NOLCO	**34,295,078**	32,737,373
Allowance for ECL on trade receivables	**4,677,612**	3,399,557
"Day 1" loss on loan receivable	**3,423,918**	5,090,223
Retirement liability	**1,531,980**	1,434,308
Allowance for impairment of other current assets	**72,212**	72,212
Allowance for inventory write-down	**9,474**	9,474
Excess MCIT over RCIT	**61**	155,809
	₱509,693,982	₱492,898,956

The Company's deferred tax liabilities pertain to the following:

	2020	2019
Net unrealized foreign exchange gain	**₱2,979,480**	₱8,038,213
ROU asset net of lease liability	**481,062**	663,252
Remeasurement gain on retirement liability	**595,994**	595,994
	₱4,056,536	₱9,297,459

As at December 31, 2020, details of the Company's NOLCO and excess MCIT over RCIT are as follows:

<u>NOLCO</u>

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2020	₱–	₱37,620,172	₱–	₱37,620,172	2025
2019	41,560,974	–	–	41,560,974	2022
2018	35,135,781	–	–	35,135,781	2021
2017	32,427,822	–	32,427,822	–	2020
	₱109,124,577	₱37,620,172	₱32,427,822	₱114,316,927	

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under Revenue Regulations No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

<u>Excess MCIT over RCIT</u>

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2019	₱61	₱–	₱–	₱61	2022
2017	155,748	–	155,748	–	2020
	₱155,809	₱–	₱155,748	₱61	

The reconciliation between the benefit from income tax based on statutory tax rate and the effective tax rate on loss before income tax follows:

	2020	2019	2018
At statutory tax rate	**(₱33,338,318)**	(₱17,431,341)	(₱454,217,006)
Change in unrecognized deferred tax assets	**16,795,026**	4,236,594	444,973,561
Expired excess MCIT over RCIT	**155,748**	9,605	–
Tax effects of:			
Expired NOLCO	**9,728,347**	10,318,039	14,073,764
Nondeductible expenses	**1,425,657**	69,740	80,441
Interest income already subjected to final tax	**(7,383)**	(894)	(607)
At effective tax rate	**(₱5,240,923)**	(₱2,798,257)	₱4,910,153

The Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act

On March 26, 2021, the CREATE was approved and signed into law by the country’s President. Under the CREATE, the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The income tax rates used in preparing the separate financial statements as at and for the year ended December 31, 2020 are still 30% and 2% for RCIT and MCIT, respectively. However, the passage of the law is considered a non-adjusting event for financial reporting.

The table below summarizes the financial impact of the change in income tax rate to the Company’s separate financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Deferred tax liabilities	₱4,056,536	₱3,380,447	₱676,089
Cumulative remeasurement gains on retirement liability	1,390,654	1,489,986	(99,332)
Deficit	(2,367,498,081)	(2,366,921,324)	(576,757)
Benefit from deferred income tax expense (Profit and loss)	(5,240,923)	(5,817,680)	576,757
Benefit from deferred income tax expense (Other comprehensive income)	–	(99,332)	99,332
Net loss	(105,886,805)	(105,310,048)	(576,757)

21. Operating Lease Commitments

The Company leases its office space from a third party. The lease term has a term of 60 months, which commenced in September 2014. The lease obligation is subject to an annual escalation of 5% beginning on the third year of the lease term.

The Company renewed its office space lease in September 2019. The new lease has a term of 36 months, which will end in September 2022. The lease obligation is subject to an annual escalation of 5%. ROU asset is recognized using the discount rate of 4.2% as at September 15, 2019. The adoption of PFRS 16 has no impact on the Company's retained earnings as at January 1, 2019.

Refundable deposits amounted to ₱2.2 million as at December 31, 2020 and 2019.

Rental expense under "General and administrative expenses" account amounted to ₱4.6 million and ₱5.8 million in 2019 and 2018, respectively (see Note 16).

The balances and movements in ROU asset as at December 31, 2020 and 2019 are as follows (see Note 10):

	2020	2019
Cost		
Balance at beginning of year	**₱24,291,567**	₱–
Initial recognition in accordance with PFRS 16	**–**	24,291,567
Balance at end of year	**24,291,567**	24,291,567
Accumulated Amortization		
Balance at beginning of year	**2,361,680**	–
Amortization	**8,097,189**	2,361,680
Balance at end of year	**10,458,869**	2,361,680
Carrying Amount	**₱13,832,698**	₱21,929,887

The balance and movements in lease liability as at and for the years ended December 31, 2020 and 2019 are as follows:

	Note	**2020**	2019
Balance at beginning of year		**₱19,719,048**	₱–
Rental payments		**(8,207,073)**	(4,610,725)
Interest expense	12	**717,184**	38,206
Initial recognition in accordance with PFRS 16		**–**	24,291,567
Balance at end of year		**₱12,229,159**	₱19,719,048

Lease liability is classified as follows:

	2020	2019
Current	**₱8,228,202**	₱7,489,889
Noncurrent	**4,000,957**	12,229,159
	₱12,229,159	₱19,719,048

The undiscounted maturity profile of the Company's lease liability as at December 31, 2020 are as follows:

Within one year	₱8,617,427
More than one year but less than five years	4,062,198
	₱12,679,625

22. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash, trade and other receivables (excluding advances to employees), due to and from related parties, long-term loan receivable, refundable deposits, trade and other payables (excluding statutory liabilities), loans payable, and lease liability.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's BOD focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Company is exposed to are described as follows.

Market Risks

The Company is exposed to market risks, primarily those related to foreign currency and interest rate risk. Management actively monitors these exposures, as follows:

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign exchange risk results primarily from movements of the Philippine Peso against the United Stated (US) Dollar with respect to foreign currency denominated financial assets.

The Company's transactional currency exposures arise from cash, due from related parties and long-term loan receivable made in currencies other than the Company's functional currency. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk. Measures are adopted to protect its financial assets in the event there would be significant fluctuations in the exchange rate.

The following table shows the Company's US dollar-denominated monetary financial assets and their Philippine Peso equivalent:

	2020		2019	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Financial assets at amortized cost:				
Cash	**₱37,650**	**$784**	₱38,740	$765
Due from related parties	**172,402,138**	**3,589,991**	181,779,193	3,589,991
Long-term loan receivable	**132,827,920**	**2,765,923**	134,673,003	2,659,682
	₱305,267,708	**$6,356,698**	₱316,490,936	$6,250,438

For purposes of translating the outstanding balances of the Company's foreign currency-denominated financial assets as at December 31, 2020 and 2019, the exchange rates applied were ₱48.02 and ₱50.64 per US$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's loss before tax for the years ended December 31, 2020 and 2019. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Loss before Tax
December 31, 2020	**+2.26%**	**₱6,911,902**
	-2.26%	**(6,911,902)**
December 31, 2019	+1.27%	4,023,610
	-1.27%	(4,023,610)

Interest Rate Risk. The Company's exposure to interest rate risk arises from unfavorable changes in interest rates related primarily to outstanding debt obligations. As at December 31, 2020 and 2019, there are no floating rate financial assets and financial liabilities. Thus, the Company has minimal exposure to interest rate risk since its financial assets and financial liabilities have fixed interest rates and are usually short-term.

The Company does not have any repricing financial assets and financial liabilities as at December 31, 2020 and 2019.

Credit Risk

The Company's exposure to credit risk relates to the Company's cash in banks, trade and other receivables (excluding advances to officers and employees), due from related parties, long-term loan receivable and refundable deposits.

With the exception of due from related parties and trade and other receivables which are subject to lifetime ECL, the impairment of financial assets at amortized cost was measured on a 12-month ECL basis and reflects the short maturities of the exposures. The resulting ECL amounted to ₱1,567.9 million and ₱1,511.3 million as at December 31, 2020 and 2019, respectively.

For refundable deposits, the Company considered the financial capacity of the lessors to refund the deposits once the lease agreement has been terminated.

The carrying amount of financial assets at amortized cost recorded in the separate financial statements represents the Company's maximum exposure to credit risk.

The tables below show the credit risk concentrations of the Company's financial assets at amortized cost as at December 31, 2020 and 2019. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets.

	2020					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Credit-impaired**	**Total**
12-month ECL:						
Cash in banks	**₱4,089,853**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,089,853**
Long-term loan receivable	–	**132,827,920**	–	–	**–**	**132,827,920**
Refundable deposits	–	**2,229,258**	–	–	**–**	**2,229,258**
Lifetime ECL:						
Trade and other receivables*	–	–	–	**45,711,152**	**15,592,040**	**61,303,192**
Due from related parties	–	**1,174,041,248**	–	**–**	**1,552,278,824**	**2,726,320,072**
	₱4,089,853	**₱1,309,098,426**	**₱–**	**₱45,711,152**	**₱1,567,870,864**	**₱2,926,770,295**

**Excluding advances to employees amounting to ₱0.7 million.*

	2019					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Credit-impaired	Total
12-month ECL:						
Cash in banks	₱3,837,176	₱–	₱–	₱–	₱–	₱3,837,176
Long-term loan receivable	–	134,673,003	–	–	–	134,673,003
Refundable deposits	–	2,229,258	–	–	–	2,229,258
Lifetime ECL:						
Trade and other receivables*	–	–	–	49,971,336	11,331,856	61,303,192
Due from related parties	–	1,218,227,325	–	–	1,500,000,000	2,718,227,325
	₱3,837,176	₱1,355,129,586	₱–	₱49,971,336	₱1,511,331,856	₱2,920,269,954

**Excluding advances to employees amounting to ₱0.5 million.*

The table below shows the aging of financial assets that are past due but not impaired as at December 31, 2020 and 2019.

	2020				
	Days Past Due				
	1 to 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 91 Days**	**Total**
Trade and other receivables	**₱–**	**₱–**	**₱–**	**₱45,711,152**	**₱45,711,152**

	2019				
	Days Past Due				
	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 91 Days	Total
Trade and other receivables	₱–	₱–	₱–	₱49,971,336	₱49,971,336

The Company’s financial assets are categorized by credit risk rating grades based on the Company’s collection experience with the counterparties as follows:

- High Grade - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- Standard Grade - other financial assets not belonging to high grade financial assets and are not past due are included in this category.
- Past Due but not Impaired - with history of frequent default nevertheless the amount due are still collectible.
- Credit-impaired - long outstanding or those that have been provided with an allowance for impairment

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company’s exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and financial liabilities. The Company’s objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread in refinancing maturities.

The table below shows the maturity profile of the Company's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments:

	2020				
	On Demand	**Up to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial liabilities at amortized cost:					
Trade and other payables*	**₱4,222,068**	**₱13,425,101**	**₱16,564,055**	**₱–**	**₱34,211,224**
Loans payable**	**–**	**170,761,779**	**–**	**–**	**170,761,779**
Lease liability***	**–**	**4,246,200**	**4,371,227**	**4,062,198**	**12,679,625**
Due to related parties	**857,401,356**	**–**	**–**	**–**	**857,401,356**
	₱861,623,424	**₱188,433,080**	**₱20,935,282**	**₱4,062,198**	**₱1,075,053,984**

**Excluding nonfinancial liabilities amounting to ₱4.6 million.*
***Including future interest payments amounting to ₱0.7 million.*
****Includes nominal interest*

	2019				
	On Demand	Up to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial liabilities at amortized cost:					
Trade and other payables*	₱4,222,068	₱15,590,279	₱11,928,304	₱–	₱31,740,651
Loans payable**	–	170,761,779	–	–	170,761,779
Lease liability***	–	4,044,000	4,163,073	12,679,625	20,886,698
Due to related parties	799,326,963	–	–	–	799,326,963
	₱803,549,031	₱190,396,058	₱16,091,377	₱12,679,625	₱1,022,716,091

**Excluding nonfinancial liabilities amounting to ₱5.6 million.*
***Including future interest payments amounting to ₱1.8 million.*
****Includes nominal interest*

23. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's financial assets and liabilities at amortized cost:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets for which fair values are disclosed				
Long-term loan receivable	**₱132,827,920**	**₱145,341,257**	₱134,673,003	₱133,751,586
Refundable deposits	**2,229,258**	**2,162,161**	2,229,258	1,993,027
	₱135,057,178	**₱147,503,418**	₱136,902,261	₱135,744,613

Long-term Loan Receivable. The fair value of this asset using level 2 is based on the discounted value of expected future cash flows using a risk free rate plus an appropriate risk premium applied to similar financial instrument. The discount rate used was 1.8% and 4.2% in 2020 and 2019, respectively.

Refundable Deposits. The fair value of refundable deposits using level 2 were determined as the sum of all future cash flows, discounted using the prevailing market rates of interest for instruments with similar maturities. The discount rates used was 1.8% and 4.2% in 2020 and 2019, respectively.

The financial assets and liabilities of the Company as at December 31, 2020 and 2019 whose carrying amounts approximate their fair values are as follows:

	2020	2019
Financial Assets at Amortized Cost		
Cash	**₱4,099,853**	₱3,847,176
Trade and other receivables*	**45,711,152**	49,971,336
Due from related parties	**1,174,041,248**	1,218,227,325
	₱1,223,852,253	₱1,272,045,837
Financial Liabilities at Amortized Cost		
Trade and other payables**	**₱34,211,224**	₱31,740,651
Loans payable	**168,998,657**	168,998,657
Lease liability	**12,229,159**	19,719,048
Due to related parties	**857,401,356**	799,326,963
	₱1,072,840,396	₱1,019,785,319

**Excluding advances to employees amounting to ₱0.7 million and ₱0.5 million as at December 31, 2020 and 2019, respectively.*
***Excluding nonfinancial liabilities amounting to ₱4.6 million and ₱5.6 million as at December 31, 2020 and 2019, respectively.*

Cash, Trade and Other Receivables (excluding Advances to Employees), Due from Related Parties, Trade and Other Payables, Loans Payable, and Due to Related Parties. Due to the short-term nature of transactions, the fair values of these financial assets and liabilities approximate their carrying amounts at the reporting date.

Lease Liability. The carrying amount of lease liability approximates its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease which is not significantly different from the discounted value of lease rentals as at year-end.

24. Capital Management Policy

The primary objective of the Company's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and maximize shareholder value.

The Company considers the following as capital employed as at December 31, 2020 and 2019:

Capital stock	₱940,000,000
Deposits for future subscription	1,500,000,000
Additional paid-in capital	1,983,047,906
	₱4,423,047,906

The Company manages its capital structure and makes adjustments to it, when there are changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust its borrowings or raise capital. No changes were made in the objectives, policies or processes in 2020, 2019 and 2018.

The Company is committed to maintain adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions and take advantage of business opportunities.

The Company regularly monitors its capital position and assesses business conditions to ensure early detection and determination of risks, and its consequent adverse impact. The Company adopts measures, as is deemed necessary and appropriate, to mitigate risks.

The Company will access the capital market when it is considered necessary. As the Company sustains its business, it will retain sufficient flexibility to raise capital to support new business opportunities and will be prudent in its capital management.

The Company is not subject to externally imposed capital requirements.

TKC METALS
Strength in vision

ANNUAL SUSTAINABILITY REPORT 2020

AMIDST THE PANDEMIC

Contents

GENERAL INFORMATION

Contextual Information

COMPANY DETAILS	
Name of the Organization:	**TKC Metals Corporation (TKC Metals)**
Location of Headquarters:	Unit 201, 2nd Floor W Tower Condominium 39th Street Fort Bonifacio Global City Taguig City 1630 Philippines
Location of Operations	TKC Metals, through its subsidiaries, owns and operates steel manufacturing facilities in these locations: ▪ Iligan City, Lanao del Norte, Philippines 9200 ▪ Zhangzhou Development Zone, Zhangzhou, Fujian Province, China 363105
Report Boundary: ***Legal Entities (e.g. Subsidiaries) included in this Report***	This second annual sustainability performance report of the holding company, TKC Metals, specifically covers subsidiaries that own and operate steel manufacturing facilities for TKC Metals: ▪ *Treasure Steelworks Corporation (TSC)* ▪ *Zhangzhou Stronghold Steel Works Co. Ltd. (ZZS)*
Business Model, including Primary Activities, Brands, Products, & Services:	TKC Metals is a publicly listed company in the Philippine Stock Exchange (PSE) as an operating and holding company primarily engaged in the manufacturing and distribution of various steel and metal products. Operationally, TKC Metals undertakes the exclusive marketing and sales of steel billets manufactured in the billet making facility owned and operated by TSC. TKC Metals also has an effective controlling equity share in ZZS, an overseas steel pipe manufacturing company incorporated and based in Zhangzhou, Fujian Province, China. **TSC** owns and operates a billet making plant and blast furnace facility within a 20 – hectare complex located in Iligan City, Lanao del Norte, Philippines. The facility complex is previously owned by the former National Steel Corporation and is the largest billet making plant in the Philippines in terms of installed rated capacity. The facility has a production capacity of 300,000 metric tons per annum and is currently under shutdown operations. **ZZS** is a majority – owned and controlled subsidiary of TKC Metals established in Zhangzhou, Fujian Province, China on 13 June 2005 with a registered capital of USD 40 Million. ZZS manufactures and distributes various steel pipe products in China and other export markets and is the first steel pipe producer in Fujian Province. ZZS manufactures Electric Resistance Welded (ERW) and spiral welded pipes for general construction and water transmission and, prospectively, seamless pipes for the oil & gas development industry. These steel pipes are used in coal, gas, and liquid transport and in

	structural applications such as ports, shipyards, roads, and bridges. Currently, ZZS has an annual production of 40,000 metric tons of polyethylene (PE) – coated spiral welded and ERW pipes. ZZS is strategically located in *Zhangzhou Development Zone*, a special economic zone in Fujian Province, enjoying a logistical advantage and access to both domestic and export markets.
Reporting Period:	01 January 2020 – 31 December 2020
Highest Ranking Person Responsible for this Report:	**Mr. Domingo S. Benitez Jr.** *President & Chief Operating Officer (COO)*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying material topics*

**See GRI 102 – 46 (2016) for more guidance*

TKC Metals prepared this annual sustainability performance report in compliance with the Philippine Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019 and made reference to the Global Reporting Initiative (GRI) Standards.

TKC Metals has adapted the subsequent approach to assess material topics:

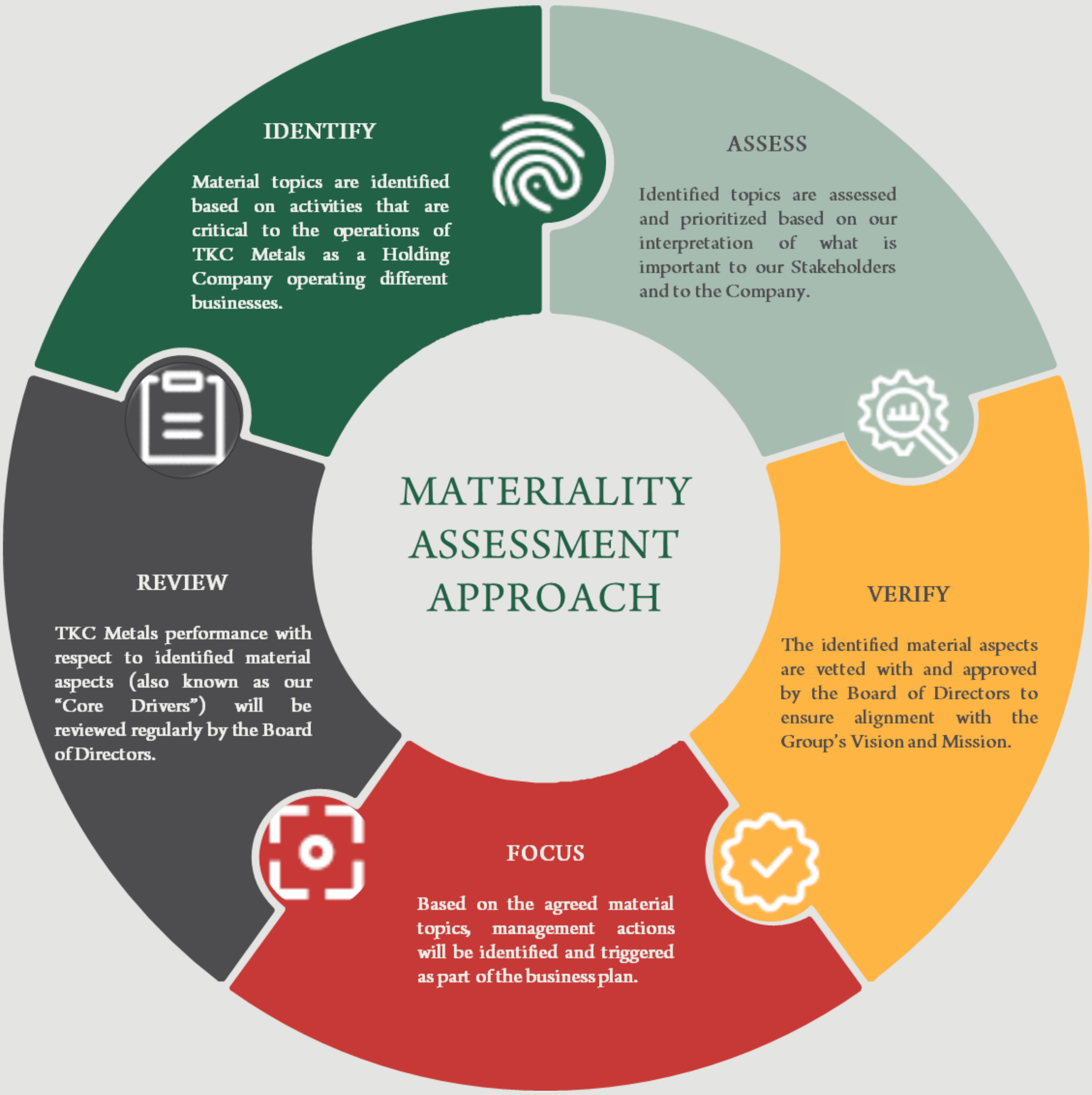


Figure 1 Materiality Assessment Approach

TKC Metals has identified and prioritized the following *Core Drivers* for the Company and its Stakeholders as duly reflected in its Sustainability Framework based on the Materiality Assessment.

INVESTMENT MANAGEMENT
Direct Economic Value Generated (Revenue), Direct Economic Distributed

GOOD GOVERNANCE
Training on Anti – Corruption Policies & Procedures, Incidents of Corruption

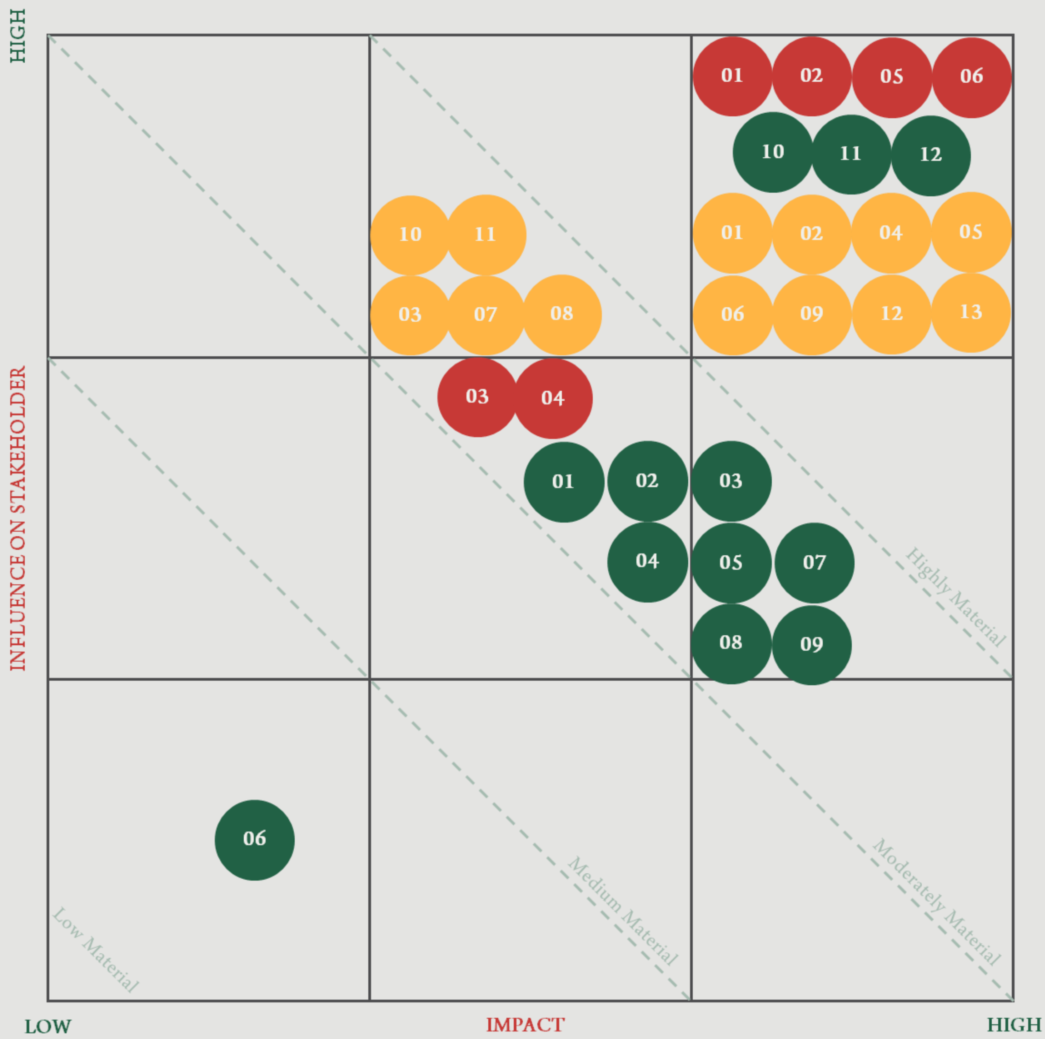
RESPONSIBLE BUSINESS
Solid & Hazardous Wastes, Effluents, Environmental Compliance, Diversity, Equal Opportunity, & Anti - Discrimination

RISK MANAGEMENT
Occupational Health & Safety, Customer Privacy, Data Security

CUSTOMER EXPERIENCE
Customer Satisfaction

EMPLOYEE WELFARE
Employee Hiring & Benefits, Employee Training & Development, Labor Standards & Human Rights

Figure 2 Sustainability Framework



ECONOMIC	ENVIRONMENT	SOCIAL
01 Direct Economic Value Generated	01 Energy	01 Employee Hiring & Benefits
02 Direct Economic Value Distributed	02 Water	02 Employee Training & Development
03 Climate – Related Risks & Opportunities	03 Materials	03 Labor – Management Relations
04 Proportion of Spending on Local Suppliers	04 Watersheds	04 Diversity, Equal Opportunity, & Anti - Discrimination
05 Training on Anti – Corruption Policies & Procedures	05 Marine	05 Occupational Health & Safety
06 Incidents of Corruption	06 IUCN / KBA	06 Labor Standards & Human Rights
	07 Air Emission	07 Supply Chain Management
	08 GHG	08 Significant Impacts to Local Communities
	09 NO_x, SO_x, PM	09 Customer Satisfaction
	10 Solid & Hazardous Wastes	10 Health & Safety
	11 Effluents	11 Marketing & Labeling
	12 Environmental Compliance	12 Customer Privacy
		13 Data Security

Figure 3 Materiality Assessment Matrix

Disclosures of TKC Metals are based on the assessed highly material topics in the uppermost quadrant of the matrix represented by the color – coded numbers described in the table.

Data for some disclosure topics in this annual sustainability performance report are from specific subsidiary(ies) of TKC Metals and not all Companies within the Group. This is reflective of its materiality and relevance to the operations of TKC Metals and the maturity of data collection systems that are currently in place as a reporter on sustainability performance. We have provided specific information on such disclosures in the coming sections.

ECONOMIC

Economic Performance

Economic Value Generated & Distributed

DISCLOSURE	UNIT	AMOUNT	
		2019	2020
Direct Economic Value Generated (Revenue)	PHP	566,764,589.00	512,050,821.00
Direct Economic Value Distributed:			
a. Operating Costs	PHP	165,515,708.00	134,736,868.00
b. Employee Wages & Benefits	PHP	39,809,851.00	43,850,708.00
c. Payments to Suppliers, Other Operating Costs	PHP	44,536,367.00	25,521,155.00
d. Dividends given to Stakeholders & Interest Payments to Loan Providers	PHP	68,461,849.00	55,402,784.00
e. Taxes given to Government	PHP	12,707,801.00	9,962,221.00
f. Investments to Community (e.g. Donations, CSR)	PHP	0.00	0.00

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
The impact of the economic performance happens at multiple levels including influence on shareholder value, amount of money spent to develop local businesses (Suppliers), amount of money spent to develop local community (CSR), and most importantly, the ability to support nation building through taxes, wherein TKC Metals has a direct involvement as it is primarily liable for its economic direction and the outcomes of its operations.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals, under the stewardship of its Management, continues to proactively ensure its profitability and value delivered to relevant key Stakeholders through a cost – efficient production environment. TKC Metals has proactively managed to sustain its production and sales activities amidst the prevailing COVID-19 pandemic through the continuous identification and pursuance of a more competitive sales & marketing strategy(ies), whilst, maintaining the production and operating costs within the established annual budget and projections.

WHAT ARE THE RISKS IDENTIFIED?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
The unfavorable level of corporate performance coupled with a weak balance sheet position enhances the exposure of TKC Metals to market volatility, creating an unlikely negative impression in the business community, which may eventually	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators	TKC Metals proactively ensure a steady cash flow management and / or outsource capital investment to infuse and start, revive, improve, and / or diversify the operations of its subsidiaries.

lead into a thorough evaluation and assessment of the Organization's economic stability.	▪ Local Community	TKC Metals proactively conduct regular review and update of its established operations and administrative internal controls and policies for appropriate guidance and strict implementation.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**WHICH STAKEHOLDERS ARE AFFECTED?**	**MANAGEMENT APPROACH**
TKC Metals has identified the need for capital infusion and retaining competent employees to enhance its current revenue performance.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals proactively address working capital requirements for targeted level of operations through a steady cash flow management and / or outsource capital investment, as well as the employment of industry experts, consultants, and competent and professional new hires in key positions. TKC Metals also proactively conduct market research and evaluation to determine consumer preference, appetite, and demands, as well as to identify current market trends and implement competitive sales & marketing strategy that will boost TKC Metals level of operations and support a cost – efficient production environment.

The policy of TKC Metals on **economic performance** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Anti – Corruption

Training on Anti – Corruption Policies & Procedures

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Percentage of Employees to whom the Organization's Anti – Corruption Policies & Procedures have been Communicated To	%	83.00	50.00
Percentage of Business Partners to whom the Organization's Anti – Corruption Policies & Procedures have been Communicated To	%	83.00	66.67
Percentage of Directors that have Received Anti – Corruption Training	%	2.00	47.33
Percentage of Employees that have Received Anti – Corruption Training	%	72.00	33.33

Incidents of Corruption

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	#	2	3
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	#	0	1

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
Corruption can occur across various functions in an Organization and has significant impact on the Company's reputation and competitiveness, detrimentally affects the Employee's morale, may adversely impact the Company's relationship with Business Partners (Suppliers, Vendors, Contractors, etc.), and may eventually diminish Shareholder value.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Customers	TKC Metals continues to proactively ensure adequate and strict compliance of its Directors, Management Officers, and Employees to all existing anti – corruption policies, rules, regulations, and practices amidst the prevailing COVID-19 pandemic. The effective communication of TKC Metals existing anti – corruption policies, rules, regulations, and practices to its Directors, Management Officers, Employees, and Business Partners (Suppliers, Vendors, Contractors, etc.) supported the commitment of TKC Metals to prevent any occurrence of wrongful conduct across the various functions in the Organization and led into the proactive reporting, investigation, and decision of known incidents of corruption.

WHAT ARE THE RISKS IDENTIFIED?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
TKC Metals needs to be cognizant of the risk of ensuring the integrity and commitment of adherence to the existing anti – corruption policies, rules, regulations, and practices during the employment of TKC Metals Directors, Management Officers, and Employees and while working with Small and Medium Enterprises (SMEs) as Business Partners (Suppliers, Vendors, Contractors, etc.).	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Customers	TKC Metals continues to proactively ensure continual education, training, and seminar on anti – corruption and risk management being undertaken by its Directors, Management Officers, and Employees to support the achievement of TKC Metals financial targets, as well as the protection of interest, assets, and properties of the Corporation. TKC Metals further continues the effective communication of its existing anti – corruption policies, rules, regulations, and practices to TKC Metals Directors, Management Officers, Employees, and Business Partners (Suppliers, Vendors, Contractors, etc.).
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**WHICH STAKEHOLDERS ARE AFFECTED?**	**MANAGEMENT APPROACH**
With the increased reliance on technology and the reality of an economic uncertainty amidst the prevailing COVID-19 pandemic that can possibly lead to fraud, TKC Metals has identified the need to employ and retain competent employees, as well as to significantly increase training and awareness of TKC Metals Directors, Management Officers, Employees, and Business Partners (Suppliers, Vendors, Contractors, etc.) in the Organization's Anti – Corruption Policy, rules, regulations, and practices.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Customers	TKC Metals proactively sustain its continued compliance to the Securities & Exchange Commission (SEC) / Philippine Stock Exchange (PSE) mandatory corporate governance training for Directors and key Management Officers. TKC Metals will further continue to pursue a comprehensive and suitable anti – corruption and risk management training programs for Directors, Management Officers, and Employees in 2021 as TKC Metals 2020 operations and business plans have been adversely impacted and disrupted by the prevailing COVID-19 pandemic.

The policy of TKC Metals on **anti - corruption** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

ENVIRONMENT

Solid & Hazardous Wastes

Solid Waste

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Total Solid Waste Generated	kg	360	27,760
Reusable	kg	0	0
Recyclable	kg	0	27,400
Composted	kg	0	0
Incinerated	kg	0	0
Residuals / Landfilled	kg	360	360

Hazardous Waste

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Total Weight of Hazardous Waste Generated	kg	0	0
Total Weight of Hazardous Waste Transported	kg	0	0

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
The generation of solid and hazardous wastes is inevitable in the operations of any Organization. The generated solid and hazardous wastes present potential impacts to human health and the immediate surroundings of the Community where TKC Metals operates, if improperly managed.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals continues to proactively ensure its continued compliance to all applicable local and international environmental laws, rules, and regulations, through the proactive implementation of an Environmental Management System (EMS), which is certified to be in accordance with the requirements of ISO 14001:2015 and the designation of a dedicated Pollution Control Officer (PCO), who fulfills the responsibility of managing the environmental compliance of TKC Metals, as well as ensuring the consistent implementation of good environmental practices for solid and hazardous wastes management, including planning, rolling, out, and implementation of feasible waste reduction programs.

WHAT ARE THE RISKS IDENTIFIED?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
		TKC Metals further continues to employ third party environmental management consultant, who guides the Organization in managing its generated solid and hazardous wastes, as well as ensuring its continued environmental compliance.
The incidental exposure of the Local Community to improperly managed solid and hazardous wastes due to road traffic accident and accidental release or spill, which may adversely impact tourism opportunities and may result into long – term ill – health effects for exposed individuals that may eventually lead into limited access to decent life / livelihood.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals continues to proactively ensure its continued compliance to all applicable local and international environmental laws, rules, and regulations, through the proactive implementation of an EMS, which is certified to be in accordance with the requirements of ISO 14001:2015 and the designation of a dedicated PCO, who fulfills the responsibility of managing the environmental compliance of TKC Metals, as well as ensuring the consistent implementation of good environmental practices for solid and hazardous wastes management, including planning, rolling, out, and implementation of feasible waste reduction programs. The dedicated PCO proactively ensure the appropriate handling, transportation, treatment, and safe disposal of all generated solid and hazardous wastes.

WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
Exploring opportunities for the optimization of diverting wastes away from the landfill, which supports the goal of TKC Metals to minimize its environmental footprint.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	Guided by its existing EMS and its firm commitment to minimize its environmental footprint, TKC Metals plans to develop and establish a Waste Data Collection System to properly implement the most suitable waste segregation scheme for the various waste streams of TKC Metals.

The policy of TKC Metals on **solid & hazardous wastes** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Effluents

DISCLOSURE	UNIT	QUANTITY 2019	QUANTITY 2020
Total Volume of Water Discharged	cubic meters	11,395	0
Percent of Wastewater Recycled	%	0	0

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
Improperly managed effluents may affect TKC Metals at multiple levels including: ▪ Potential loss in revenue due to imposition of monetary fines and non – monetary sanctions; ▪ Potential loss of reputation due to potential revocation of Environmental Compliance Certificate (ECC) and License to Operate (LTO); and ▪ Potential impacts to the health and safety of the Local Community where TKC Metals operates.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals continues to proactively ensure its continued compliance to all applicable local and international environmental laws, rules, and regulations, through the proactive implementation of an EMS, which is certified to be in accordance with the requirements of ISO 14001:2015 and the designation of a dedicated PCO, who monitors the water consumption and wastewater discharges of TKC Metals, as well as ensure the consistent implementation of good environmental practices for water and wastewater management, including the adaptation of the most feasible water conservation and wastewater reduction programs. TKC Metals further continues to employ third party environmental management consultant, who guides the Organization in managing its water consumption and wastewater discharges, as well as ensuring its continued environmental compliance.

WHAT ARE THE RISKS IDENTIFIED?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
Scarcity of water supply in the Local Community resulting in limited access to clean and safe water.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals continues to proactively ensure its continued compliance to all applicable local and international environmental laws, rules, and regulations, through the proactive implementation of an EMS, which is certified to be in accordance with the requirements of ISO 14001:2015 and the designation of a dedicated PCO, who monitors the water consumption and wastewater discharges of TKC Metals, as well as

		ensure the consistent implementation of good environmental practices for water and wastewater management, including the adaptation of the most feasible water conservation and wastewater reduction programs. The dedicated PCO monitors the proper and effective implementation of feasible water conservation and wastewater reduction programs.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**WHICH STAKEHOLDERS ARE AFFECTED?**	**MANAGEMENT APPROACH**
Exploring opportunities to recycle generated wastewater.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	Guided by its existing EMS and its firm commitment to minimize its environmental footprint, TKC Metals plans to undertake a comprehensive study to recycle its generated wastewater.

The policy of TKC Metals on **effluents** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Environmental Compliance

Non – Compliance with Environmental Laws & Regulations

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	0.00	0.00
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	0	0
No. of Cases Resolved through Dispute Resolution Mechanism	#	0	0

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	WHICH STAKEHOLDERS ARE AFFECTED?	MANAGEMENT APPROACH
Failure to comply with all applicable local and international environmental laws, rules, and regulations impacts the quality of life of the Local Community, as well as the reputation, brand image, and revenue performance of TKC Metals.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals continues to proactively ensure its continued compliance to all applicable local and international environmental laws, rules, and regulations, through the proactive implementation of an EMS, which is certified to be in accordance with the requirements of ISO 14001:2015 and the designation of a dedicated PCO, who fulfills the responsibility of managing the environmental compliance of TKC Metals, as well as ensure the consistent implementation of good environmental practices. TKC Metals further continues to employ third party environmental management consultant, who guides the Organization in ensuring its continued environmental compliance.
WHAT ARE THE RISKS IDENTIFIED?	**WHICH STAKEHOLDERS ARE AFFECTED?**	**MANAGEMENT APPROACH**
The impacts of non – compliance to any applicable local and international environmental laws, rules, and regulations happens at multiple levels including: ▪ Gradual degradation of the existing environment; ▪ Potential decline in the associated opportunities for tourism; ▪ Potential loss in revenue due to imposition of monetary fines and non – monetary sanctions;	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	TKC Metals continues to proactively ensure its continued compliance to all applicable local and international environmental laws, rules, and regulations, through the proactive implementation of an EMS, which is certified to be in accordance with the requirements of ISO 14001:2015 and the designation of a dedicated PCO, who fulfills the responsibility of managing the environmental compliance of TKC Metals, as well as ensure the consistent implementation of good environmental practices.

▪ Potential loss of reputation due to potential revocation of ECC and LTO; and ▪ Potential impacts to the health and safety of the Local Community where TKC Metals operates.		TKC Metals further continues to employ third party environmental management consultant, who guides the Organization in ensuring its continued environmental compliance.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**WHICH STAKEHOLDERS ARE AFFECTED?**	**MANAGEMENT APPROACH**
Exploring opportunities to significantly minimize the identified significant environmental aspects and risks, as well as empower Employees environmental training and awareness programs.	Affected Stakeholders are: ▪ Shareholders & Investors ▪ Employees ▪ Business Partners (Suppliers, Vendors, Contractors, etc.) ▪ Government Regulators ▪ Local Community	Guided by its existing EMS and its commitment to minimize its environmental footprint, TKC Metals continues to pursue its plan to adapt, roll out, and implement feasible risk reduction strategies and programs aimed to significantly reduce the potential impacts of the identified significant environmental aspects and risks. TKC Metals also proactively continue to pursue its plan to adapt the most feasible environmental training and awareness programs for its Employees and Business Partners (Suppliers, Vendors, Contractors, etc.), which was disrupted by the prevailing COVID-19 pandemic. TKC Metals further continues to employ third party environmental management consultant, who guides the Organization in ensuring its continued environmental compliance.

The policy of TKC Metals on **environmental compliance** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

SOCIAL

Employee Management

Employee Hiring & Benefits

Employee Data

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Total Number of Employee*			
a. Reusable	#	22	29
b. Recyclable	#	66	61
Attrition Rate**	rate	10.5	15.8
Ratio of Lowest Paid Employee Against Minimum Wage***	ratio	1:1.59	1:1.59

**Employees are individual who are in an employment relationship with the Organization, according to national law or its application (GRI Standards 2016 Glossary)*
***Attrition Rate = (No. of New Hires – No. of Turnovers) ÷ [(Total No. of Employees of Previous Year + Total No. of Employee of Current Year) ÷ 2]*
****Ratio = Minimum Wage : Lowest Paid Employee*

Employee Benefits

DISCLOSURE	Y / N		% EMPLOYEES WHO AVAILED			
			FEMALE		MALE	
	2019	2020	2019	2020	2019	2020
SSS	Y	Y	95.45	31.82	90.91	12.12
PhilHealth	Y	Y	90.91	31.82	87.88	12.12
PAG – IBIG	Y	Y	95.45	31.82	90.91	12.12
Parental Leaves	Y	Y	0.00	0.00	0.00	0.00
Vacation Leaves	Y	Y	95.45	90.91	92.48	87.88
Sick Leaves	Y	Y	63.68	68.22	80.38	87.89
Medical Benefits *(Aside from PhilHealth)*	Y	Y	0.00	59.09	0.00	75.76
Housing Assistance *(Aside from PAG – IBIG)*	Y	Y	14.7	0.00	22.73	0.00
Retirement Fund *(Aside from SSS)*	Y	Y	0.00	0.00	0.02	0.02
Further Education Support	Y	N	0.00	0.00	0.00	0.00
Company Stock Options	N	N	0.00	0.00	0.00	0.00
Telecommuting	Y	Y	4.55	4.55	4.61	6.06
Flexible Work Arrangement (FWA)	Y	Y	9.09	9.09	12.15	12.15

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
Non – competitive employment benefits will eventually result in limiting the ability of TKC Metals to hire and retain the best talents and may lead to attrition and Employees of TKC Metals seeking employment elsewhere.	The sustained compliance of TKC Metals with the requirements of all relevant and existing labor laws, rules, and regulations of the Department of Labor and Employment (DOLE) and all other appropriate government entities is attributed to the commitment of TKC Metals to establish, implement, and maintain relevant company policies that manage, protect, and care for the welfare and benefits of the Employees, ensuring their continuous engagement, retention, and best performance.
WHAT ARE THE RISKS IDENTIFIED?	**MANAGEMENT APPROACH**
The overall competitiveness of TKC Metals is affected by multiple factors including: ▪ Employees dissatisfaction, which may result to shortage on critical skills, as well as difficulty in looking for qualified replacements; ▪ Attrition / loss of Employees to completion, which may result in an increase number of exiting Employees; and ▪ Possible retirement.	TKC Metals continues to pursue the enhancement of its corporate image and branding through the proactive identification and implementation of the most feasible above industry – standard benefit packages and work set up to attract and retain qualified talents and Employees. TKC Metals further pursue the proactive provision of the most suitable training and development programs for its Employees.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**
With the increased reliance on technology and the reality of an economic uncertainty amidst the prevailing COVID-19 pandemic, TKC Metals has identified the opportunity to exploit the growing acceptance of work from home set up coupled with the current surge of potential talents searching employment opportunities, as well as to benchmark with relevant industry performers to identify means of further enhancing the brand image of TKC Metals as the Organization of choice for prospective talents possessing the desired qualifications of TKC Metals.	TKC Metals continues to pursue the enhancement of its corporate image and branding through the proactive identification and implementation of the most feasible above industry – standard benefit packages and work set up to attract and retain qualified talents and Employees.

The policy of TKC Metals on **employee hiring & benefits** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

TKC METALS
Strength in vision

Employee Training & Development

DISCLOSURE	UNIT	QUANTITY 2019	QUANTITY 2020
Total Training Hours Provided to Employees			
a. Female Employees	hours	150.00	150.00
b. Male Employees	hours	150.00	166.00
Average Training Hours Provided to Employees			
a. Female Employees	hours/employee	6.82	5.17
b. Male Employees	hours/employee	2.27	2.27

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
The impact of appropriately trained Employees happens at multiple levels, including influence on the ability of TKC Metals to operate at the highest business ethical standards, Customer satisfaction, career advancement of the respective Employee, and promoting safe and healthy workplace.	The provision for Employee learning and development opportunities amidst the prevailing COVID-19 pandemic has been a challenge for every Organization. As such, TKC Metals adapts the most suitable and most effective training programs and strategies, including the continuous utilization of online learning platforms and continues to proactively analyze the training needs of the Organization and identify specific skill gaps. In addition, the Management of TKC Metals annually allocates and approved sufficient resources for Employee learning and development.
WHAT ARE THE RISKS IDENTIFIED?	**MANAGEMENT APPROACH**
The lack of commitment from Employees to proactively participate in the provided training and the drive to enforce the training and ensure its effectiveness.	TKC Metals adapts the most suitable and most effective training programs and strategies, including the continuous utilization of online learning platforms and continues to proactively analyze the training needs of the Organization and identify specific skill gaps.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**
With the increased reliance on technology and the reality of an economic uncertainty amidst the prevailing COVID-19 pandemic, TKC Metals has identified the opportunity to exploit the growing demand for online training coupled with an increase on self – development.	TKC Metals adapts the most suitable and most effective training programs and strategies, including the continuous utilization of online learning platforms and continues to proactively analyze the training needs of the Organization and identify specific skill gaps.

The policy of TKC Metals on **employee training & development** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Diversity & Equal Opportunity

DISCLOSURE	UNIT	QUANTITY 2019	QUANTITY 2020
% of Female Workers in the Workforce	%	25.00	32.22
% of Male Workers in the Workforce	%	75.00	67.78
Number of Employees from Indigenous Communities and / or Vulnerable Sector*	#	0	42

**Vulnerable Sector includes Elderly, Persons with Disability (PWDs), Vulnerable Women, Refugees, Migrants, Internally Displaced Persons, People Living with HIV & Other Diseases, Solo Parents, and the Poor or Base of the Pyramid (BOP; Class D & E)*

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
Diversity and equal employment enhances the ability of TKC Metals to attract and retain preferred talents, as well as its reputation as an equal opportunity employer. These practices help bolster the status of TKC Metals as an employer of choice for top talent.	TKC Metals continues to proactively pursue the adaption of a systematic approach to continuously promote and cultivate diversity and equal opportunity within TKC Metals employment lifecycle (talent acquisition, learning and development), which was disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE RISKS IDENTIFIED?	**MANAGEMENT APPROACH**
Incidents of discrimination and harassment may lead to the voluntary separation of Employees and will reflect negatively on the reputation and brand image of TKC Metals. These incidents will negatively impact the ability of TKC Metals to attract and retain top talents.	TKC Metals continues to proactively pursue the adaption of a systematic approach to continuously promote and cultivate diversity and equal opportunity within TKC Metals employment lifecycle (talent acquisition, learning and development), which was disrupted by the prevailing COVID-19 pandemic. TKC Metals further continues to pursue the adaption of an industry – standard recognized system for reporting, identifying, investigating, monitoring, and resolving any incidents of discrimination and harassment, which was also disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**
Exploring opportunities to promote a culture of diversity.	TKC Metals continues to proactively pursue the adaption of a systematic approach to continuously promote and cultivate diversity and equal opportunity within TKC Metals employment lifecycle (talent acquisition, learning and development), which was disrupted by the prevailing COVID-19 pandemic.

The policy of TKC Metals on **diversity & equal opportunity** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Workplace Conditions, Labor Standards, & Human Rights

Occupational Health & Safety

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
Safe Man- Hours	man –hours	32	32
No. of Work – Related Injuries	#	7	2
No. of Work – Related Fatalities	#	0	0
No. of Work – Related Ill – Health	#	0	0
No. of Safety Drills	#	4	4

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
The impact of Occupational Health and Safety (OHS) performance influences Employee morale, impacts operational costs, and affects the quality of service that TKC Metals provides.	TKC Metals continues to proactively ensure its continued compliance to OHS requirements based on all applicable local and international laws, rules, and regulations through the proactive implementation of an OHS Management System, which is certified to be in accordance with the requirements of ISO 45001:2018 and the proactive identification and control of health and safety hazards in the workplace, including maintaining a labor – oriented work environment.
WHAT ARE THE RISKS IDENTIFIED?	**MANAGEMENT APPROACH**
Fatality, serious injury, and / or damage to property will likely lead to increased operational costs, negatively affect relationships with the Local Community, have an adverse impact on the confidence of Shareholders and Investors, and significantly damage the brand image and reputation of TKC Metals.	TKC Metals continues to proactively ensure its continued compliance to OHS requirements based on all applicable local and international laws, rules, and regulations through the proactive implementation of an OHS Management System, which is certified to be in accordance with the requirements of ISO 45001:2018 and the proactive identification and control of health and safety hazards in the workplace, including maintaining a labor – oriented work environment.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**

Boosting Employee morale through allocating sufficient resources to promote and provide a healthy and safe workplace.	TKC Metals continues to proactively ensure its continued compliance to OHS requirements based on all applicable local and international laws, rules, and regulations through the proactive implementation of an OHS Management System, which is certified to be in accordance with the requirements of ISO 45001:2018 and the proactive identification and control of health and safety hazards in the workplace, including maintaining a labor – oriented work environment.

The policy of TKC Metals on **occupational health & safety** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Labor Laws & Human Rights

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
No. of Legal Actions or Employee Grievance Involving Forced or Child Labor	#	0	0

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? <u>NONE</u>

TOPIC	Y / N		IF YES, CITE REFERENCE IN COMPANY POLICY	
	2019	2020	2019	2020
Forced Labor	N	N	Not Applicable	Not Applicable
Child Labor	N	N	Not Applicable	Not Applicable
Human Rights	N	N	Not Applicable	Not Applicable

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH

Non – compliance to any relevant and existing local and international labor and social laws, rules, and regulations have a negative influence on the reputation of TKC Metals as an employer of choice and its ability to attract and retain top talents.	The sustained compliance of TKC Metals with the requirements of all relevant and existing labor and social laws, rules, and regulations of the Department of Labor and Employment (DOLE) and all other appropriate government entities is attributed to the commitment of TKC Metals to establish, implement, and maintain relevant company policies that manage, protect, and care for the welfare of the Employees against unfair labor practices such as child labor, forced labor, and human rights violations. TKC Metals further continues to pursue the adaption of an industry – standard recognized system for reporting, identifying, investigating, monitoring, and resolving any incidents of non – compliance to any relevant and existing local and international labor and social laws, rules, and regulations, which was disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE RISKS IDENTIFIED?	**MANAGEMENT APPROACH**
Failure to comply with the relevant and existing local and international labor and social laws, rules, and regulations have a negative influence on the reputation and brand image of TKC Metals and its ability to attract and retain top talents. Failure to comply may likewise lead into scrutiny from DOLE and other relevant government entities.	The sustained compliance of TKC Metals with the requirements of all relevant and existing labor and social laws, rules, and regulations of the Department of Labor and Employment (DOLE) and all other appropriate government entities is attributed to the commitment of TKC Metals to establish, implement, and maintain relevant company policies that manage, protect, and care for the welfare of the Employees against unfair labor practices such as child labor, forced labor, and human rights violations. TKC Metals further continues to pursue the adaption of an industry – standard recognized system for reporting, identifying, investigating, monitoring, and resolving any incidents of non – compliance to any relevant and existing local and international labor and social laws, rules, and regulations, which was disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**
Benchmarking with other relevant Organizations to ensure the implementation of the relevant industry's good labor practices.	The sustained compliance of TKC Metals with the requirements of all relevant and existing labor and social laws, rules, and regulations of the Department of Labor and Employment (DOLE) and all other appropriate government entities is attributed to the commitment of TKC Metals to establish, implement, and maintain relevant company policies that manage, protect, and care for the welfare of the Employees against unfair labor practices such as child labor, forced labor, and human rights violations.

The policy of TKC Metals on **labor laws & human rights** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Customer Management

Customer Satisfaction

DISCLOSURE	SCORE		DID A THIRD PARTY CONDUCT THE CUSTOMER SATISFACTION STUDY (Y / N)?	
	2019	2020	2019	2020
Customer Satisfaction	85	0	N	N

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
The overall performance of TKC Metals is affected by the satisfaction of its Customer. Customers experiencing inconvenience may become physically or verbally abusive that affects the servicing Employee(s) and exposed them to physical, mental, and / or emotional stress.	TKC Metals continues to proactively ensure the continued satisfaction of its Customers through the adaption of a Customer mindset framework that identifies and addresses Customers' needs and expectations, as well as the strict observation, adherence, and implementation of all existing Company policies, rules, and regulations regarding Customer satisfaction. TKC Metals, under the stewardship of its Management, proactively allocate and approve sufficient resources for customer management and further continues to pursue the adaption of an industry – standard recognized system for reporting, identifying, investigating, monitoring, and resolving Customer concerns, which was disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE RISKS IDENTIFIED?	**MANAGEMENT APPROACH**
Dissatisfied Customers due to changes in the needs and expectations of the Customers affects the overall business reputation of TKC Metals.	TKC Metals continues to proactively ensure the continued satisfaction of its Customers through the adaption of a Customer mindset framework that identifies and addresses Customers' needs and expectations, as well as the strict observation, adherence, and implementation of all existing Company policies, rules, and regulations regarding Customer satisfaction. TKC Metals, under the stewardship of its Management, proactively allocate and approve sufficient resources for customer management and further continues to pursue the adaption of an industry – standard recognized system for reporting, identifying, investigating, monitoring, and resolving Customer concerns, which was disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**
Appropriately informed and well – motivated Employees are a testimony to the fact that TKC Metals is operating at the highest standard of business ethics.	TKC Metals continues to proactively ensure the continued satisfaction of its Customers through the adaption of a Customer mindset framework that identifies and addresses Customers' needs and expectations, as well as the strict observation, adherence, and

	implementation of all existing Company policies, rules, and regulations regarding Customer satisfaction. TKC Metals, under the stewardship of its Management, proactively allocate and approve sufficient resources for customer management and further continues to pursue the adaption of an industry – standard recognized system for reporting, identifying, investigating, monitoring, and resolving Customer concerns, which was disrupted by the prevailing COVID-19 pandemic.

The policy of TKC Metals on **customer satisfaction** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

Customer Privacy

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
No. of Substantiated Complaints* on Customer Privacy	#	0	0
No. of Complaints Addressed	#	0	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

**Substantiated Complaints include Complaints from Customers that went through the Organization's formal communication channels and grievance mechanisms, as well as Complaints that were lodged to and acted upon by government agencies*

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
TKC Metals values the privacy of its Customers and take it seriously to immediately address incident(s) of breach(es) to Customer privacy as it affects the confidence of both Local and Business Community.	TKC Metals continues to proactively ensure its continued compliance to all applicable and existing local and international Customer and data privacy and security laws, rules, and regulations through the adaption of the most suitable and most effective industry – standard Customer and data privacy and security policies and practices. TKC Metals, under the stewardship of its Management, proactively allocate and approved sufficient resources for the effective implementation of Customer and data privacy and security policies and practices and further continues to pursue the adaption of an industry – standard recognized system for Customer and data privacy and security audit, as well as the most suitable and most effective Customer and data privacy and security training programs. These plans were disrupted by the prevailing COVID-19 pandemic.

WHAT ARE THE RISKS IDENTIFIED?	MANAGEMENT APPROACH

Any breach to Customer privacy negatively influence the reputation and brand image of TKC Metals that may lead to the loss of trust and confidence of Shareholders and Investors, Employees, Customers, Business Partners (Suppliers, Vendors, Contractors, etc.), Government Regulators, and Local Community.	TKC Metals continues to proactively ensure its continued compliance to all applicable and existing local and international Customer and data privacy and security laws, rules, and regulations through the adaption of the most suitable and most effective industry – standard Customer and data privacy and security policies and practices. TKC Metals, under the stewardship of its Management, proactively allocate and approved sufficient resources for the effective implementation of Customer and data privacy and security policies and practices and further continues to pursue the adaption of an industry – standard recognized system for Customer and data privacy and security audit, as well as the most suitable and most effective Customer and data privacy and security training programs. These plans were disrupted by the prevailing COVID-19 pandemic.
WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	**MANAGEMENT APPROACH**
Appropriately informed and well – motivated Employees are a testimony to the fact that TKC Metals is operating at the highest standard of business ethics.	TKC Metals continues to proactively ensure its continued compliance to all applicable and existing local and international Customer and data privacy and security laws, rules, and regulations through the adaption of the most suitable and most effective industry – standard Customer and data privacy and security policies and practices. TKC Metals, under the stewardship of its Management, proactively allocate and approved sufficient resources for the effective implementation of Customer and data privacy and security policies and practices and further continues to pursue the adaption of an industry – standard recognized system for Customer and data privacy and security audit, as well as the most suitable and most effective Customer and data privacy and security training programs. These plans were disrupted by the prevailing COVID-19 pandemic.

The policy of TKC Metals on **customer privacy** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

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Data Security

DISCLOSURE	UNIT	QUANTITY	
		2019	2020
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	#	0	0

WHAT IS THE IMPACT & WHERE DOES IT OCCUR? WHAT IS THE ORGANIZATION'S INVOLVEMENT IN THE IMPACT?	MANAGEMENT APPROACH
TKC Metals values the privacy and security of its data and take it seriously to immediately address incident(s) of breach(es) as it affects the confidence of both Local and Business Community.	TKC Metals continues to proactively ensure its continued compliance to all applicable and existing local and international Customer and data privacy and security laws, rules, and regulations through the adaption of the most suitable and most effective industry – standard Customer and data privacy and security policies and practices. TKC Metals, under the stewardship of its Management, proactively allocate and approved sufficient resources for the effective implementation of Customer and data privacy and security policies and practices and further continues to pursue the adaption of an industry – standard recognized system for Customer and data privacy and security audit, as well as the most suitable and most effective Customer and data privacy and security training programs. These plans were disrupted by the prevailing COVID-19 pandemic.

WHAT ARE THE RISKS IDENTIFIED?	MANAGEMENT APPROACH
Any breach to data security negatively influence the reputation and brand image of TKC Metals that may lead to the loss of trust and confidence of Shareholders and Investors, Employees, Customers, Business Partners (Suppliers, Vendors, Contractors, etc.), Government Regulators, and Local Community.	TKC Metals continues to proactively ensure its continued compliance to all applicable and existing local and international Customer and data privacy and security laws, rules, and regulations through the adaption of the most suitable and most effective industry – standard Customer and data privacy and security policies and practices. TKC Metals, under the stewardship of its Management, proactively allocate and approved sufficient resources for the effective implementation of Customer and data privacy and security policies and practices and further continues to pursue the adaption of an industry – standard recognized system for Customer and data privacy and security audit, as well as the most suitable and most effective Customer and data privacy and security training programs. These plans were disrupted by the prevailing COVID-19 pandemic.

WHAT ARE THE OPPORTUNITY/IES IDENTIFIED?	MANAGEMENT APPROACH
Appropriately informed and well – motivated Employees are a testimony to the fact that TKC Metals is operating at the highest standard of business ethics.	TKC Metals continues to proactively ensure its continued compliance to all applicable and existing local and international Customer and data privacy and security laws, rules, and regulations through the adaption of the most suitable and most effective industry – standard Customer and data privacy and security policies and practices. TKC Metals, under the stewardship of its Management, proactively allocate and approved sufficient resources for the effective implementation of Customer and data privacy and security policies and practices and further continues to pursue the adaption of an industry – standard recognized system for Customer and data privacy and security audit, as well as the most suitable and most effective Customer and data privacy and security training programs. These plans were disrupted by the prevailing COVID-19 pandemic.

The policy of TKC Metals on **data security** is embedded on TKC Metals **2017 Manual on Corporate Governance** *https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*

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